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THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. NY-09875
RIPPLE LABS, INC.)

WITNESS: Miguel Vias

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PLACE: Securities and Exchange Commission
200 Vesey Street
New York, New York

DATE: Tuesday, December 17, 2019

The above entitled matter came on for hearing,
pursuant to notice, at 9:40 a.m.

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2
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P R O C E E D I N G S

(SEC Exhibit No. 15 was
marked for
identification.)

MS. WAXMAN: We are on the record
at 9:40 on December 17, 2019.

Please raise your right hand, Mr.
Vias.

Do you swear or affirm to tell the
truth, the whole truth and nothing but the
truth?

MR. VIAS: I do.

Whereupon,

MIGUEL VIAS

was called as a witness and, having been
first duly sworn, was examined and testified
as follows:

EXAMINATION

MS. WAXMAN: Please state your full
name and spell your name for the record.

THE WITNESS: Miguel Vias.

M-I-G-U-E-L, V-I-A-S.

MS. WAXMAN: Thank you. Good
morning, Mr. Vias. My name is Daphna Waxman.
And with me are my colleagues Jon Daniels,

1 Mandy Sturmfelz. And later this afternoon,
2 John Henry and Jorge Herrera will join us.
3 All of us are officer of the Commission for
4 purposes of this proceeding.

5 This is an investigation by the
6 U.S. Securities and Exchange Commission in
7 the matter of Ripple Labs NY 9875 to
8 determine whether there have been violations
9 of the Federal Securities Laws. However, the
10 facts developed in this investigation may
11 constitute violations of other federal,
12 state, civil or criminal laws.

13 Prior to the opening of the record
14 today, you were provided a copy of the Formal
15 Order of Investigation, which is right here.
16 It will be available for you during today's
17 testimony.

18 Mr. Vias, have you had an
19 opportunity to review the formal order?

20 THE WITNESS: I have.

21 MS. WAXMAN: Do you have any
22 questions about the formal order?

23 THE WITNESS: I do not.

24 MS. WAXMAN: Prior to opening the
25 record, we also marked the Form 1662 as

1 Exhibit number 15.

2 Mr. Vias, have you had an
3 opportunity to review Exhibit 15?

4 THE WITNESS: I have.

5 MS. WAXMAN: Do you have any
6 questions about Exhibit 15?

7 THE WITNESS: I do not.

8 MS. WAXMAN: Mr. Vias, are you
9 represented by counsel here today?

10 THE WITNESS: I am.

11 MS. WAXMAN: Would counsel please
12 state their names for the record.

13 MR. CERESNEY: Yes, Andrew Ceresney
14 from Debevoise & Plimpton, representing
15 Ripple and the witness.

16 MS. COWAN: Jennifer Cowan from
17 Debevoise & Plimpton, representing Ripple and
18 the witness.

19 MR. DHOND: Sameer Dhond,
20 representing Ripple.

21 MS. GUO: Joy Guo from Debevoise &
22 Plimpton, representing the witness and the
23 company.

24 MS. WAXMAN: Mr. Vias, you may be
25 aware, multiple representation of witnesses

1 by counsel presents a potential conflict of
2 interest. And Form 1662 states the
3 Commission will assume that you and counsel
4 have discussed and resolved all issues
5 concerning potential conflicts of interest.

6 Mr. Vias, are you appearing
7 pursuant to testimony subpoena today?

8 THE WITNESS: Yes.

9 MS. WAXMAN: Just mark this.

10 (SEC Exhibit No. 16 was
11 marked for
12 identification.)

13 BY MR. WAXMAN:

14 Q Mr. Vias, I'm showing you what's
15 been marked as Exhibit 16, which is a copy of
16 your resume and a completed background
17 questionnaire.

18 Please just take a moment to look
19 at it and let me know when you are done.

20 (The witness examined the
21 document.)

22 MR. CERESNEY: Okay.

23 Q Great. Is there anything
24 inaccurate in Exhibit 16?

25 A No.

1 MR. CERESNEY: You have to speak
2 louder.

3 A No.

4 Q I want to -- before we start
5 talking about Ripple, I just want to ask you
6 some background questions about your
7 experience with digital assets.

8 When did you first learn of digital
9 assets or blockchain technology?

10 A 2011.

11 Q How did you learn about them?

12 A There were news stories around
13 Cypress and bailing that was occurring in
14 Cypress. As a result, there was chatter
15 around Bitcoin and how Bitcoin wouldn't allow
16 for that to happen because you had ownership
17 of the assets.

18 Q When you first learned about it,
19 did you ever buy any digital assets? Why
20 were you interested in digital assets at the
21 time?

22 A In 2011, it was curiosity.

23 Q Have you ever -- when was the first
24 time that you worked in the digital assets
25 space or worked in -- did work involving

1 blockchain technology?

2 A So worked for a company or did
3 work -- I'm sorry.

4 Q Both.

5 A I was involved at the [REDACTED] in a few
6 blockchain-related projects. That would have
7 been in 2014 or 2015.

8 Q What were those projects?

9 A We had a partnership. We were
10 trying to put forth a partnership with a
11 blockchain company around gold. It was the
12 digitalization of gold bars, basically.

13 Q What was your involvement with that
14 project?

15 A I was the head of the gold products
16 suite at the [REDACTED] So I was the -- the
17 resident expert on the gold market if you
18 will.

19 Q What was the company purporting to
20 do that involved blockchain?

21 A So if I remember correctly, the
22 idea was in partnership with a blockchain
23 company that would store gold and -- issue of
24 tokenized receipts.

25 Q On the blockchain?

1 A On a blockchain.

2 Q Did that product ever come to
3 fruition?

4 A I left before it finished. So I'm
5 not sure.

6 Q As part of your educational
7 training, did you have any -- do you have any
8 experience with blockchain technology? In
9 school or any training in blockchain
10 technology.

11 A No. I was out of school when this
12 came to be.

13 Q Other than the project you just
14 described, were there any other projects that
15 you were involved with either at the [REDACTED] or
16 anywhere else that involved digital assets or
17 blockchain technology?

18 A No.

19 Q According to your resume, it says
20 that you started Ripple in November 2016.

21 When did you first hear about the
22 company?

23 A Late 2013, early 2014.

24 Q How did you hear about the company?

25 A So as part of my involvement in the

1 projects at the [REDACTED] there was --

2 Q You mean the Bitcoin project that
3 you just spoke about?

4 A Correct. So [REDACTED] was also
5 part of that. [REDACTED] was the
6 investment arm of the [REDACTED] and they had
7 invested in Ripple, the company. And that
8 was the first time I heard of it.

9 Q Did you have any involvement with
10 [REDACTED] investment in Ripple?

11 A No.

12 Q How did you learn that [REDACTED]
13 had invested in Ripple?

14 A I did a talent exchange internally.
15 The [REDACTED] group told the Ripple folks
16 who were in that talent exchange who they had
17 invested in. And Ripple was one of the
18 companies.

19 Q What do you mean by "talent
20 exchange"?

21 A It's kind of -- not an internship,
22 but it's like an internal swapping of talent.

23 MR. CERESNEY: Talent exchange.

24 THE WITNESS: I mean it was an
25 exchange.

1 Q Like foreign exchange. I've done a
2 foreign exchange. Okay, fair enough.

3 A No. So -- basically, folks who
4 wanted to learn more about what [REDACTED]
5 was doing and how they were doing it were
6 allowed to work with them -- very short
7 period of time. It was a week or two.

8 Q In that context you learned about
9 the investment in Ripple?

10 A Correct.

11 Q Do you know how much they were --
12 how much they invested or what sort of
13 interest they had?

14 A No.

15 Q Do you know why they invested in
16 Ripple?

17 A I don't remember.

18 Q What do you know about the
19 investment?

20 A It was Series A investment.

21 Q Did it involve XRP?

22 A I don't know.

23 Q Was a -- is [REDACTED] currently still an
24 investor at Ripple?

25 A I don't know.

1 Q So you first heard of Ripple in the
2 talent exchange.

3 A Mm-hmm.

4 Q How did it happen that you came to
5 work for the company?

6 A So in late 2016, a gentleman by the
7 name of [REDACTED] who worked for
8 [REDACTED] reached out and said that
9 Ripple was looking for -- was looking for
10 someone to head up their markets division.
11 And they were just looking for help finding
12 the right person.

13 So [REDACTED] put me in touch with
14 Patrick Griffin. Patrick and I had a
15 conversation and the job sounded interesting.
16 So I said, "You know, I don't know of anyone
17 who -- outside of the [REDACTED] who fits the bill.
18 And I don't feel comfortable giving you those
19 names, but I'm happy to take a look."

20 Q A little competition.

21 A Yeah.

22 Q When you said, "head up their
23 markets," can you be more specific?

24 A So the way Patrick explained it to
25 me was they needed liquidity for XRP in order

1 to put forth the bridge asset use case. And
2 they were having trouble growing the
3 liquidity for it, so they wanted someone with
4 markets expertise to do that.

5 Q And can you tell me more about the
6 job description that Patrick -- what Patrick
7 told you at the time about the job.

8 A That was the crux of it.

9 Q Did you understand what your
10 responsibilities were going to be?

11 A I did.

12 Q What did you understand?

13 A So somewhat similar to my job, but
14 the [REDACTED] interest to grow liquidity for
15 futures contracts around precious metals. My
16 job would be to grow liquidity for XRP.

17 Q Did you understand how you would
18 grow liquidity for XRP? Did Patrick explain
19 t you if the commands planned to do that?

20 A No. That's why they were hiring
21 me.

22 Q What was the status of XRP at the
23 time?

24 A At the time, status in terms of --

25 Q Price, volume.

1 A Okay. Um -- so the volume was
2 minuscule. I think it was trading around a
3 million dollars a day. It wasn't on many
4 platforms. The majority of the trading had
5 been on the protocol. That had been the
6 strategy of the company for a while. And the
7 price was sub a penny. It was half a penny.

8 Q When you say, "on the protocol," is
9 that -- is that on ledger trading?

10 A Correct.

11 Q How did you know -- how did you
12 know all these stats about XRP?

13 A I started to do some research ahead
14 of the conversations with Patrick.

15 Q Did you know that XRP prior to
16 these conversations?

17 A I did.

18 Q When did you first learn about XRP?

19 A 2013, 2014.

20 Q Was it in the context of learning
21 about [REDACTED] investment in Ripple or
22 was it another --

23 A It was right around the same time.
24 But Bitcoin had been kind of in need in the
25 news again, and I started to look at Bitcoin

1 again. It was clear that the space had grown
2 up, after just doing some reading, from 2011
3 when I first heard about it, the Cypress
4 story.

5 Then I remember reading more about
6 XRP right around that time and Stellar.
7 Those three were the ones that during that
8 period, I was like, "Okay. Interesting."

9 Q Going back to the status of XRP at
10 the time that you were talking to Patrick.
11 Were there any -- was there any off-ledger
12 trading? Do you know what I mean when I say,
13 "off-ledger"?

14 A Yes, I do understand. Yes. Was
15 there any, yes, there was.

16 Q What was -- how many exchanges were
17 listing XRP at the time?

18 A I can't say with certainty. But it
19 was between -- it was sub ten. I want to say
20 it was around six.

21 Q Do you recall which ones?

22 A Bitstamp had an XRP BTC listing.
23 Buy Box comes to mind. But I can't be
24 certain. Poloniex. I think the other ones
25 definitely were Asian, smaller exchanges, but

1 I can't be certain.

2 Q You said it was at minuscule
3 volume.

4 Who was buying and selling the
5 asset at the time?

6 A I don't know.

7 Q Could you take a guess?

8 A No.

9 Q Were you buying the asset at the
10 time?

11 A At the time, no.

12 Q You said that Patrick said that
13 they had trouble growing the XRP market.

14 Did he tell you why they were
15 having trouble or did you have an
16 understanding why they were having
17 difficulty?

18 A I don't think he understood why.
19 Otherwise, again, he wouldn't be talking to
20 me. I had opinions, but I wasn't sure. I
21 wasn't in the company yet. So it's hard for
22 me to know all the information.

23 Q What was your opinion? How did
24 you -- what do you think the problems were
25 and how do you think you could have -- what

1 did you think you could do to solve them?

2 A In hindsight or at the time --
3 before I joined the company?

4 Q Before you joined the company.

5 A I think before I joined, I had an
6 over -- I had an overarching opinion that
7 just like the gold market, which doesn't have
8 kind of hedging volume, you don't have a lot
9 of folks who transact in gold because they
10 need to. It's usually market makers or
11 speculators. You compare that to the FX
12 markets, which has massive volume. Right.

13 We're talking about a fifty
14 billion-dollar market versus a five
15 trillion-dollar-a-day market in FX. But
16 commerce touches FX. Meaning every day
17 there's an auto parts manufacture in Japan
18 that has to hedge out some Yen risk for Euro
19 and that creates a ton of activity in volume.

20 The gold market doesn't have that.
21 And at the time, XRP didn't have that. So my
22 initial thought was well, we need to put
23 forth the use case, the bridge asset use
24 case, so that it starts being used as a
25 bridge asset. That by directional flow of

1 actual companies using it in order to move
2 money around the world, that will create the
3 stratospheric volume.

4 So that was before I joined the
5 company.

6 Q At the time that you joined and at
7 the time you had these thoughts, was there
8 any commerce for XRP?

9 A I don't know.

10 Q Well, you said XRP didn't have
11 commerce. I thought you said that. Or you
12 said what did an XRP have. So maybe -- I
13 want to understand what your comment was.
14 You said there was -- what builds -- my
15 understanding from your comment is what
16 builds kind of the liquidity is the commerce
17 touching the FX markets. And that that's
18 something that was lacking in the XRP market,
19 the commerce.

20 Can you explain what you mean.

21 A Sure. So the company's use case
22 for XRP as a bridge asset was not in
23 existence yet. That's what I mean.

24 Q When you say was not existent, did
25 they even have a product built?

1 A I didn't know at the time whether
2 they did or didn't.

3 Q At what point did the use case come
4 into existence?

5 A The -- could you define "come into
6 existence" for me.

7 Q Does it exist today?

8 A It does, yes.

9 Q Well, I would imagine -- my
10 understanding that -- at the time -- at the
11 time that you joined the company, was there
12 a -- an established use case for XRP?

13 A There was. So the use case had
14 always been the same. The use case had
15 always been bridge asset. Putting that use
16 case into effect had been challenging.

17 Q When you say, "bridge asset," can
18 you just explain what you mean.

19 A So let's say you need to move money
20 from Europe to Brazil. Or let's make -- be
21 more -- from Brazil to India. Today, that's
22 pretty cumbersome. You have to go through
23 U.S. correspondence, likely a European a
24 correspondence and then finally to India.

25 Using XRP, the idea was well, you

1 don't need to take those steps. What you can
2 do is you can take Brazilian reals, you can
3 buy XRP, move it to India. Sell it in India
4 or send it to a counter-party who then sells
5 it in India. And now you have India rupee in
6 a few seconds. That's always been kind of
7 the overarching vision.

8 Q When you say, "that's always been,"
9 has that been since you were at the company?

10 A Yes.

11 Q So you don't know of any other use
12 case?

13 A No. I mean that's the core --
14 that's the core use case. At least as far as
15 Ripple is concerned.

16 Q That use case, were those
17 transactions done on RCL? Originally?

18 A So initially, the idea was to use
19 the protocol.

20 Q So I know we are using a lot of
21 different terms. We're using RCL, protocol,
22 XRP ledger.

23 Do those all mean the same thing?

24 A Yes.

25 Q Okay. Sounds good.

1 A Sorry.

2 Q I do it also.

3 A Let me know what you want to use.

4 I'm happy to stick to one.

5 Q It doesn't matter. I just want to
6 make sure we're on the same page.

7 A We are.

8 Q How did that occur on RCL? How
9 does that occur on RCL?

10 MR. CERESNEY: "That" being the
11 currency exchange.

12 A So I wasn't at the company when
13 they were trying to do it on RCL. So I'm not
14 an expert on it. I'm also not a product
15 person or a tech person. But the way I
16 understood it, it was basically the same.
17 The only difference is that instead of using
18 a off-ledger exchanges, you are using
19 gateways that are on the ledger. And you are
20 using the ledgers matching engine in order to
21 make the trades happen.

22 Q The ledgers decentralize trading?

23 A Correct.

24 Q Sometimes when you say matching
25 engine, sometimes you think of an internal --

1 A Right. And the ledger was the
2 first decentralized -- or contained the first
3 decentralized exchange.

4 Q Do they use RCL today for
5 cross-border payments?

6 MR. CERESNEY: "They" being Ripple?

7 MS. WAXMAN: Ripple.

8 Q Does Ripple promote RCL for their
9 XRP use case today?

10 A So I'm going to have to unpack that
11 a little bit.

12 Every trade that happens as part of
13 the use case touches the ledger. So when you
14 go from one exchange to another, it's
15 basically one wallet to another. The
16 exchange has a wallet on the sending side and
17 the exchange has a wallet on the receiving
18 side.

19 When XRP leaves one wallet and is
20 on route to another one, you have to touch
21 the ledger for validation that the fund
22 actually moved. So yes, every transaction
23 touches the protocol. But the trading of the
24 assets do not happen on the protocol anymore;
25 for the primary use case.

1 Q Where do the trading of the assets
2 happen?

3 A Off-ledger exchanges.

4 Q Has xRapid replaced RCL for
5 cross-border payments?

6 A For pieces of it. You can't change
7 for the sum part.

8 Q Sure.

9 A There are pieces that xRapid has
10 allowed for the connectivity of the two
11 exchanges that then replaces the -- or
12 initiated the use of the RCL for the trading.

13 Q We'll talk about xRapid later and
14 when the commit starts to focus on xRapid as
15 opposed to RCL.

16 A Okay.

17 Q But earlier, we were talking about
18 what XRP didn't have at the time that you
19 were discussing the dollar trading with
20 Patrick. You said that there were no use case
21 at the time. Or little use case. Or correct
22 me if I'm wrong.

23 A I think what I said was with
24 respect to the cross-border and bridge asset
25 use case, the company had not put that into

1 effect yet. I can't speak to what other
2 things were happening in the ecosystem. I
3 wasn't an XRP or a CL ledger expert.

4 Q So there may have been?

5 A There may have been.

6 Q What was your start date?

7 A November 28, 2016.

8 Q At the time you started, what was
9 your title and your role?

10 A Head of XRP markets was my title.
11 My role was to grow liquidity for XRP.

12 Q Pretty broad.

13 A (A nonverbal response was given.)

14 Q Did you have full reign to kind of
15 lead any way you wanted?

16 A No. I couldn't do anything I
17 wanted.

18 Q Okay. I'll ask a better question.
19 Just ignore that.

20 Did you have a supervisor?

21 A Yes. I had a supervisor.

22 MR. CERESNEY: That's a better
23 question.

24 Q Who did you report to?

25 A Patrick Griffin.

1 Q Did anybody report to you?

2 A [REDACTED]

3 Q Was that the entire time or at some
4 point after you started?

5 A The entire time [REDACTED] was a direct
6 report and Patrick was my supervisor.

7 Q Did you work with anyone else at
8 the company? Was there anyone else on your
9 team?

10 A No.

11 Q You said you were head of XRP
12 markets.

13 Did you ever assume any other title
14 or role?

15 A No.

16 MR. CERESNEY: You mean in the
17 early -- when he started. Because over time,
18 in the past, you know, six months there's
19 been some changes.

20 THE WITNESS: Some changes, yes.

21 MS. WAXMAN: Okay. Yeah. Thank
22 you.

23 Q When did your role change?

24 A May of this year.

25 Q Okay. And how did it change?

1 A So officially, I handed off XRP
2 markets responsibilities and XRP sales
3 responsibilities. And I remained in charge
4 of xRapid partnership.

5 Q What prompted that change?

6 A So the xRapid role had been growing
7 significantly. Taking up more resources or
8 more time. And we brought in someone to
9 basically hand off markets and sales to.

10 Q In your current role -- we can --
11 we can talk about that, your current role, a
12 little more later.

13 Who took over your --

14 A Breanne Madigan.

15 Q Do you still report to Patrick?

16 A No.

17 Q At some point, did Patrick leave
18 the company?

19 A He did.

20 Q Right. When did he leave?

21 A First half of 2018. I can't quite
22 remember the month.

23 Q When he left, who did you report
24 to?

25 A Ron Will.

1 Q Did you ever report to anyone else?

2 A Yes.

3 Q Who?

4 A After Ron, I reported to [REDACTED]

5 [REDACTED]

6 Q Is it because people are leaving or
7 there's a structural change in the
8 organization? These new supervisors.

9 A Patrick was because he left. And
10 then [REDACTED] was -- Ron was temporary. It was
11 understood that it was going to be temporary
12 until they backfilled Patrick's role. Yeah.

13 Q And [REDACTED] when did you start to
14 report to [REDACTED]?

15 A August of 2018.

16 Q Did she replace Patrick?

17 A Yes.

18 Q You said that you handed over XRP
19 markets and --

20 A There's one more. There's one more
21 director. So I now report to [REDACTED]

22 [REDACTED] While I was on paternity leave,
23 there was a slight restructuring and I report
24 to him.

25 Q What's his title.

1 A SVP of operations, I believe.

2 Q You said that you handed off XRP
3 markets and XRP sales. So at the time that
4 you were interviewing with Patrick -- what
5 did you mean by XRP sales, first of all?

6 A So I'm responsible -- responsible
7 for the operational management of our XRP
8 sales.

9 Q How did that fit into your
10 responsibilities for growing liquidity for
11 XRP?

12 MR. CERESNEY: Or was it separate?

13 THE WITNESS: Hmm?

14 MR. CERESNEY: Or was it separate?
15 The question assumed it was part of your
16 responsibilities.

17 Q Was it part of your
18 responsibilities?

19 A The two were related, but just
20 because they had to deal with the market.
21 They weren't -- they didn't dovetail on a
22 day-to-day basis.

23 Q You are saying XRP sales didn't
24 dovetail with your responsibility for growing
25 liquidity for XRP markets?

1 A Yes.

2 Q Why not?

3 A The XRP sales was more of a
4 treasury function, if you will, for the
5 company. And I always viewed them -- I
6 tended to view them as separate. That's just
7 a mental concept I have.

8 Q When you say, "treasury function,"
9 what do you mean?

10 A So we -- we would sell XRP to raise
11 cash for operations for the company.

12 Q That was your job, to sell the XRP
13 to -- for fundraising?

14 A Not -- not directly. My team
15 wouldn't sell it directly. We would use
16 third parties to actually do the selling.
17 But anything that kind of resolved around
18 that activity, my team was responsible for.

19 Q From a very high level, what was
20 your strategy with respect to these XRP
21 sales?

22 A Our strategy is -- I'm just -- and
23 it wasn't -- I guess my first -- my reaction
24 to that is it wasn't my strategy.

25 Q Let me ask you a better question.

1 Was there an XRP strategy with
2 respect to XRP sales?

3 A Yes.

4 Q The company?

5 A Yes. Yes. Yes. Yes. Yes.

6 Q So what was the company's strategy?

7 A The strategy was to liquidate XRP
8 in -- as -- with little -- with as little
9 disruption to the market as possible.

10 Q Was there any other strategy with
11 respect to XRP sales?

12 A No.

13 Q Was there a strategy to increase
14 the price of XRP using sales?

15 A No.

16 Q How would you sell XRP with as
17 little disruption as possible?

18 A More art than science.

19 Q Better you than me.

20 A I don't know about that. So no
21 more art than science, we would always air on
22 the side of caution in terms of amounts. We
23 would base it on volume. So as a percentage
24 of volume. So ten, fifteen basis points of
25 daily volume. And we relied on the market

1 makers that we worked with to passively and
2 constructively as possible liquidate the XRP
3 without --

4 Q I know that the company engaged in
5 what was called "programmatic sales."

6 Is that what you are talking about?

7 A It is.

8 Q What does programmatic sales refer
9 to just for the record?

10 A Programmatic sales refers to the
11 algorithmic liquidation of XRP by our
12 third-party market makers.

13 Q Why did you use third-party market
14 makers instead of just selling the XRP
15 directly?

16 A There was two of us on my team when
17 I joined. We did not have the in-house
18 expertise to do this well. It wasn't a core
19 function of the company. Just didn't make
20 sense.

21 Q We'll talk a little more about the
22 programmatic sales in a minute. But I want
23 to go back to the XRP strategy. And from a
24 high level that you saw the XRP sales as a
25 treasury function.

1 Were you -- when you did sell, was
2 it in order to meet funding needs at the
3 company? So did someone say, "We need a
4 million dollars for XYZ during this quarter.
5 Please sell that amount"?

6 A No. No it was -- again, the driver
7 was kind of impact and minimized that impact.
8 So the -- the funding didn't come to light.

9 Q How did you know how much to sell
10 each quarter? How did you determine that?

11 A I didn't.

12 Q Okay. Who did?

13 A I'm speculating here, but Finance.
14 Finance would have known how much we needed.

15 Q Well, who told -- did someone tell
16 you how much to sell?

17 A No.

18 Q So how did you know how much to
19 sell?

20 A Again, more art than science. It
21 was the overarching goal was minimize impact.
22 Sell enough -- sell what we could sell
23 without impacting the market. That's
24 basically the high level -- you know,
25 overarch and goal.

1 Q So sell enough without impacting
2 the market?

3 A Correct.

4 Q When you say impact the market, how
5 do you measure impact in the market? Does
6 that mean impact the price of the market?

7 A It means two things. It means
8 impact the price and it means impact the
9 volatility of the market.

10 Q Did you have more -- were you
11 given -- did you have any ideas of what
12 movements wouldn't disrupt the market? Or
13 were you given any direction by anyone else
14 at the company?

15 A No. This was -- to your comment
16 earlier about "better you than me," this is a
17 challenging thing to do. So it was -- it was
18 our best guesses.

19 Q Trial and error?

20 A Yeah. I think that's accurate.

21 Q Did Ripple's XRP strategy evolve
22 over time? So you said you -- you initially
23 saw the XRP sales as a treasury function.

24 Did that change over time?

25 A No.

1 Q Were you involved in any XRP
2 distribution? So non-sales of XRP?

3 A What do you mean by "involved"?

4 Q Were you -- did you make any
5 decisions about XRP distributions? Whether
6 or not to distribute outside the company,
7 XRP.

8 A No.

9 Q Did you ever negotiate any
10 agreements with any parties outside that
11 provided for XRP?

12 A That provided for XRP --

13 Q In -- I'm talking about, you know,
14 I know that the company entered into fee
15 rebate agreements with listing exchanges --

16 A Yes.

17 Q -- and some of those. And those --
18 my understanding is that those agreements
19 provided certain incentives. And those
20 incentives were sometimes paid out --

21 A Understood.

22 Q -- in XRP.

23 A Sorry.

24 Q So I'm trying to distinguish
25 between actual sales and then, you know,

1 other distributions where people are
2 receiving it for other reasons.

3 A Let me explain a little of my
4 confusion there. When you say,
5 "distribution," I think --

6 Q Underwriter.

7 A -- I think giving it away. Right.
8 Because that's what distribution usually
9 means, when you distribute airdrops or
10 whatever. I never did anything like that.

11 Q Okay. Sorry.

12 A We paid for things in XRP,
13 certainly.

14 Q When you say you paid for things,
15 what did you -- what were you hoping to get
16 in exchange?

17 MR. CERESNEY: Well, I mean, don't
18 you want to know what the context was? I
19 mean, you are trying to get to what kind of
20 context was XRP giving out. I think your
21 words were, quote-unquote, "distributed." I
22 think you are going to get an answer that's
23 nonresponsive.

24 Q Okay. I lost my train of thought.
25 But that's okay.

1 So can you tell me how you use XRP
2 in that -- in the context that you just spoke
3 about.

4 A In terms of paying for things?

5 Q Yeah.

6 A So to piggyback off your statement
7 around exchanges and fee rebates, so at times
8 we would -- we would pay for fee rebate
9 programs in XRP. We might --

10 Q What would you be paying for?

11 A So for instance, we would -- we
12 would speak to an exchange and say, "As part
13 of listing XRP, maybe we'll rebate six months
14 of free trading fees to your customers." As
15 a -- as basically an enticement to trade XRP
16 and we would rebate the company and then
17 rebate that exchange possibly in XRP.

18 Q So that would be an enticement to
19 list and trade XRP on the platform?

20 A Correct.

21 Q How else did you use XRP to pay for
22 things?

23 A We might invest with it. I think
24 we had an investment. Which, I'm pretty
25 certain, there was a portion of it that came

1 in XRP.

2 Q Were you involved in those
3 investments?

4 A In the one in -- yes. In the one
5 that I'm thinking about, yes.

6 Q Which one?

7 A Bitso.

8 Q Did the company enter into an
9 agreement with Bitso that provided for -- in
10 which they provided XRP to Bitso?

11 A We did.

12 Q What was the company to receive in
13 exchange?

14 A So that interaction with Bitso was
15 just around the listing. We hadn't -- xRapid
16 wasn't ready yet. So it wasn't about xRapid
17 yet. It was about the listing.

18 Q So it was an incentive to list and
19 trade XRP on Bitso?

20 A Bitso -- that was the -- the
21 investment was out of character in terms of
22 how we were at the time interacting with
23 exchanges. Some history with Bitso required
24 us to show more commitment to the path that
25 we were on. And Bitso felt strongly that that

1 was one way to show commitment.

2 Q How did you determine the -- strike
3 that. I'll get to that a little later.

4 So did the company use XRP in ways
5 in which it thought it would encourage or
6 promote XRP's use case?

7 A Yes.

8 Q Did it distribute XRP in ways that
9 it thought it would increase the demand for
10 XRP?

11 A No.

12 Q Why not?

13 A If we take the exchange
14 interactions as an example, Bitso in
15 particular, Mexico is one of the largest
16 corridors in the world. There's only one
17 Mexican exchange that has any liquidity. XRP
18 wasn't on there. It's hard for use to enact
19 the use case without that end point; that
20 liquidity on that end point.

21 So the distribution in that
22 instance and the instance of Bitstamp, which
23 is our big European and U.S. corridor,
24 Bittrex, CoinBits, any one of these exchanges
25 that has real liquidity, the idea is we don't

1 have XRP on there, we can't -- we can't
2 finish or start the transaction. So the idea
3 with the listings is you have to get
4 liquidity on the platforms. Otherwise, you
5 don't have the use case. You have to do it
6 from protocol, the way we were doing it
7 before.

8 Q So liquidity is needed for the use
9 case?

10 A Mm-hmm.

11 Q Other than exchanges, who else are
12 the liquidity providers?

13 A So you have over-the-counter
14 liquidity providers as well.

15 Q Were you involved in getting
16 over-the-counter liquidity providers?

17 A Yes.

18 Q What was your involvement?

19 A It was -- one of my goal was to
20 have over-the-counter liquidity for XRP.

21 Q And how -- did you attain that
22 goal?

23 A Let's say the goal occurred. It
24 happened. I don't know if I attained it, but
25 it happened.

1 Q How did it happen?

2 A Well, the one -- I think the one
3 that I was -- take some responsibility for
4 was the [REDACTED] relationships. [REDACTED]
5 [REDACTED] is a large over-the-counter broker.
6 In 2017, they were not providing liquidity
7 for XRP. So I started building a
8 relationship with the CEO there. And over
9 time, we were able to have them provide
10 liquidity.

11 Q How were you able to have them
12 provide liquidity? How did that -- what
13 happened?

14 A So when we started speaking to
15 [REDACTED] again, very few exchanges had any
16 liquidity and XRP. The price was very low.
17 And my conversations with the -- with [REDACTED]
18 in particular, always evolved around their
19 inability to hedge risk if someone came to
20 them and asked them -- and asked to buy a lot
21 of XRP.

22 They weren't that worried about a
23 lot of selling again, because the pressure is
24 off. So we with worked on -- and this all
25 happens in parallel. So we are working on

1 the exchange strategy to grow the liquidity
2 there.

3 Q Let --

4 A Sure.

5 Q Let me stop you.

6 So can you just tell me what you
7 mean by "the exchange strategy to grow
8 liquidity"?

9 A So what we were discussing before.

10 Q You mean trying to entice exchanges
11 to list during into agreements with them?

12 MR. CERESNEY: Do we need to use
13 the word entice?

14 MS. WAXMAN: Okay. I won't use it.
15 It's not a big deal to me. That's fine.

16 MR. CERESNEY: Makes it sound
17 like --

18 MS. WAXMAN: It doesn't matter.

19 Q So can you just tell me what you
20 mean by the exchange strategy? Very -- just
21 to recap.

22 A Sure. Our partnerships with
23 exchanges in order to get XRP listed.

24 Q When you say, "partnerships," do
25 you mean agreements with them?

1 A Yes.

2 Q Those agreements are agreements in
3 which you pay certain -- you provided certain
4 incentives?

5 A Yes.

6 Q And some of those incentives were
7 paid in XRP?

8 A Yes.

9 Q Did you ever pay USD?

10 A Yes.

11 MR. CERESNEY: Can you also just
12 ask how many exchanges, so can reflect this
13 as how many. Because it makes it sound like
14 it's dozens.

15 MS. WAXMAN: Well, I understand --

16 Q When did the exchange strategy
17 begin?

18 A It -- part of it was in flight, if
19 you will, or in process before I joined.

20 Q Okay. And --

21 A Not sure when that started.

22 Q And does it continue today?

23 A For xRapid, yes.

24 Q Well, can you tell me what you
25 mean, was there several exchange strategies

1 for xRapid? I --

2 A I mean --

3 MR. CERESNEY: So maybe you can
4 explain what the -- what the approach was to
5 exchanges in the early stages of when you
6 were head of market. And then distinguish
7 that from the approach to exchanges more
8 recently through xRapid.

9 THE WITNESS: Okay. Thank you.

10 MR. CERESNEY: And give numbers
11 about how many exchanges we are talking about
12 here.

13 A So when I first began at Ripple,
14 there was -- again, there weren't many XRP
15 listings at all. So the first step in the
16 path to get to xRapid had to be an XRP
17 listing. So that was the first time. And
18 that was -- 2017, we are talking maybe four
19 or five exchanges.

20 And then 2017 was a banner year for
21 cryptocurrency markets, XRP had a lot of
22 activity. So some exchanges started to list
23 XRP on their own without anything to do with
24 Ripple. At that point, we had a larger set
25 of exchanges now to partner with on xRapid.

1 So now XRP is listed on these
2 exchanges. So now okay, we can go to
3 Coins.ph, as an example, to exchange in the
4 Philippines. Now we can partner with Coins on
5 xRapid. So the focus shifts from getting it
6 on a platform to now connecting that platform
7 to the use case and the product.

8 Q When did that focus shift?

9 A Early 2018 or so.

10 Q When did xRapid -- when was xRapid
11 introduced?

12 A We had a proof of concept for
13 xRapid with five companies in late '17, early
14 '18.

15 Q I know that there are a certain
16 pilots that happened in 2018.

17 A Right.

18 Q And then at some point, xRapid
19 became commercially available.

20 Do you know what the distinction
21 was?

22 A It's -- it's strictly a product
23 kind of distinction in question. The way I
24 understood it, the proof of concept still
25 needed work in order to be commercially

1 viable. I'm not exactly sure what -- from a
2 product perspective. There was liquidity
3 work that needed to be done as well. So
4 because that was some of the feedback that we
5 received from the pilots.

6 Q So prior to xRapid becoming
7 commercially available, was the exchange
8 strategy only with respect to growing
9 liquidity?

10 A The exchange strategy was about
11 step one of the longer vision. Without a
12 listing, you don't have an exchange
13 department with xRapid. So you have to get
14 listings.

15 Q But -- so the partnerships prior to
16 xRapid becoming commercially available, did
17 they involve, you know, xRapid integration
18 agreements or anything like that?

19 A No. No.

20 Q Okay so --

21 A They didn't, but -- okay.
22 Important for context, part of the discussion
23 with an exchange was always -- my take on it
24 was -- I understand why we have to do some of
25 these partnerships for listings, I get that.

1 But at the end of the day, this was going to
2 be -- in my opinion, a very large opportunity
3 for the exchanges. Because here was a
4 company with a real use case for digital
5 currency that made sense, and was getting
6 traction. We did get traction with those
7 pilots.

8 So you know, it wasn't the xRapid
9 integration because we weren't part of those
10 discussions, but xRapid was. Even in its
11 very early stages. The conversation with an
12 exchange was always "Look, we are going to
13 bring that commercial volume that is sticky
14 and non -- non-votively correlated. So
15 you'll have a more diversified group of
16 participants on your platform."

17 Q That was always a conversation
18 about the future, what will happen in the
19 future?

20 A Yes.

21 Q Was there a priority on getting XRP
22 listed on U.S. exchanges or a priority for
23 the XRP USD listing pair?

24 A Yes.

25 MR. CERESNEY: What time period?

1 MS. WAXMAN: Well, that -- that was
2 my next question. I'd be happy to have you
3 sit next to me.

4 MR. CERESNEY: I'm just trying to
5 be helpful.

6 Q During what time period?

7 A 2017, 2018. I mean, both those
8 years.

9 Q Early 2017?

10 A Yeah.

11 Q And why was that important?

12 A Well, without -- again, most
13 remittances -- remittance use case for xRapid
14 started in the states or Europe. XRP didn't
15 have a strong U.S. dollar XRP market. So it
16 was a priority.

17 Q But how would that help grow
18 liquidity; if it did?

19 A Well, that's likely -- again, the
20 reason it was a priority for xRapid is that
21 on-ramp. Without the on-ramp, as an example,
22 MoneyGram today, they use U.S. dollar XRP as
23 the on-ramp in order to send money in from
24 Mexico through xRapid.

25 We didn't have that. It was going

1 to be pretty challenging to launch a
2 remittance-based use case. In terms of
3 liquidity, that's the U.S. market. A massive
4 amount of liquidity broadly in every asset
5 class commodity. So it felt important for
6 liquidity broadly.

7 Q What sort of signal would it give
8 to the market if XRP was listed on a U.S.
9 exchange or if there was an XRP trading pair?

10 A Which market?

11 Q The XRP market.

12 A I'd be speculating.

13 Q Well, was the USD XRP listing pair
14 important for any other reason?

15 A Important for any other reason?
16 Yes. Sorry. I just connected a few dots.

17 MS. WAXMAN: Okay. We are off the
18 record at 10:39.

19 (A brief recess was taken.)

20 MS. WAXMAN: It's 10:48. We are
21 back on the record.

22 While we were off the record, Mr.
23 Vias, did you have any substantive
24 conversations with the staff? Did we speak
25 about anything --

1 THE WITNESS: No.

2 MS. WAXMAN: -- related to this
3 topic?

4 THE WITNESS: No.

5 Q There was a question pending before
6 the break. I just want to get an answer and
7 then we can move on.

8 You said there was another reason
9 why U.S. listings were important.

10 A So I mentioned that XRP sales were
11 based on volume. So the idea at the time was
12 because -- because the dollar is such a --
13 the U.S. is such a big market, we could
14 increase volume which would help our sales
15 increase without impacting the market.

16 Q When you say, "without impacting
17 the market," what do you mean?

18 A I went into this before. Two
19 factors, volatility and price.

20 Q So the two factors would be
21 volatility and price. And any other factors?

22 A No. No.

23 Q With respect to price, was there a
24 certain percentage that you were -- or that
25 you were trying to stay within?

1 A No. No. I was -- again, more art
2 than science.

3 Q With respect to volatility, were
4 you able to measure that more specifically?

5 A We were, but there were no targets.

6 Q How did you measure volatility?

7 A Square route of log normal returns.
8 Standard deviation of.

9 Q So let's talk about programmatic
10 sales a bit. Earlier this morning, you said
11 that you used third-party market makers to
12 execute programmatic sales.

13 A Yes.

14 Q How did you choose which market
15 makers to work with?

16 A All three market makers had been
17 working with Ripple before I joined. We
18 continued to use those three.

19 Q Is there a reason why you used
20 three and not five or --

21 A No. Three seemed like enough.

22 Q And did you have an understanding
23 why those three were being used by the
24 company?

25 A So just to go back to 2017, it sort

1 of took off. There weren't many market
2 makers who were active in cryptocurrency at
3 the time. This was the set of folks that we
4 had at our disposal and had existing
5 relationships with.

6 MS. STURMFELZ: Are you aware of
7 the firm with attempting to engage with any
8 additional market makers since you joined?

9 THE WITNESS: In which capacity?

10 MS. STURMFELZ: To bring them on as
11 market makers. To do business with them as
12 market makers.

13 THE WITNESS: Yes.

14 MS. STURMFELZ: Which firms are
15 those?

16 THE WITNESS: I'm going from
17 memory. So this is unlikely to be exhaustive.

18 So [REDACTED]

19 [REDACTED] There was a -- there was a -- there
20 was a market maker/fund in Switzerland --

21 [REDACTED] I think that's --
22 that's most of them. If I remember any,
23 I'll -- yeah.

24 MS. STURMFELZ: Did Ripple
25 determine to use any of those funds as market

1 makers?

2 THE WITNESS: I think -- sorry. I
3 think it's important -- the relationship with
4 market makers over time has evolved pretty
5 significantly. It's important for context
6 the timing of what we were doing with whom.
7 The purpose. We started down this path of
8 XRP sales and that was definitely one use of
9 the relationship with these market makers.
10 But over the last eighteen months, the focus
11 has been xRapid. It's a very different think
12 use. I just want to make sure we're talking
13 about the same things. It's pretty broad.

14 Q Let's go back to -- you started
15 November 28th of 2016. Let's get back to
16 2017 time period and the company's use of
17 market makers to engage in programmatic sales
18 of XRP.

19 A Okay.

20 Q What was the purpose of
21 programmatic sales? Why was the company
22 engaging in programmatic sales?

23 A To raise funds for the company.

24 Q At the time, was the company
25 selling XRP OTC?

1 A In 2017, I think we -- yeah. Yes.

2 Before and during 2017, yes.

3 Q What I'm trying to understand is,
4 why are you selling programmatically and why
5 are you selling XRP OTC? Other than just we
6 are trying to raise money. Was there another
7 purpose other than fundraising?

8 A So yes. So -- I mentioned [REDACTED]
9 [REDACTED] We began selling them OTC XRP.

10 Q When did you?

11 A That's mid '17, I think. Late '17.
12 Q3, Q4 '17. Somewhere in there.

13 Q Okay.

14 A And again, the --

15 Q But I want to -- when did you first
16 begin selling XRP OTC?

17 A That was before I joined.

18 Q But at the time that you joined, in
19 early 2017, why were you selling some XRP
20 programmatically and some XRP via OTC sales?
21 What was the purpose of the programmatic
22 sales?

23 A To raise funds for the company.

24 Q Was there any other purpose?

25 A No.

1 Q Did you direct the -- tell me how
2 it plays out. What sorts of agreements --
3 how does -- how does the programmatic sales
4 work? Do you provide the XRP to the market
5 maker? What happens next? Can you walk me
6 through the process.

7 A Sure. So we -- Sunday or Monday, I
8 can't remember the exact date, we'd send an
9 e-mail to the market makers saying, "This is
10 going to be the percentage of volume that you
11 we want you guys to sell." And then the --

12 Q Was that a weekly volume or a daily
13 volume?

14 A No. It's a -- it's almost
15 continuous, basically. So they would do it
16 on a minute-by-minute basis if I'm correct.
17 If I'm remember correctly, in terms of the
18 algorithms. But we would measure it more on
19 a daily basis. So --

20 MR. DANIELS: How did you determine
21 that percentage?

22 THE WITNESS: I hate that -- I feel
23 bad going back to it, but it was more art
24 than science. Right. This was a -- but the
25 team on Fridays, we have an XRP sales meeting

1 on Fridays. And we -- the team, in that
2 meeting, would basically like decide whether
3 or not to increase or decrease. Yeah.

4 MR. DANIELS: Based on what types
5 of factors?

6 THE WITNESS: Again, I think the
7 overarching ideas were "Is it constructive?
8 Are we impacting the market?" That's it.

9 Q So you had a conversation with the
10 market makers about how much selling you
11 wanted them to engage in?

12 A E-mail.

13 Q E-mail?

14 A E-mail, yes.

15 Q Then what happened next?

16 A And then the finance team would
17 fund the wallets of the market makers with an
18 estimate of what we thought would be enough
19 for the week.

20 Q For the week?

21 A Yes.

22 Q Okay.

23 A And then the market makers would go
24 out and sell the XRP.

25 Q Did you pay your market makers --

1 well, where would the market makers sell the
2 XRP?

3 A On exchanges.

4 Q Did you direct them to trade on
5 certain platforms?

6 A Yes. Yes.

7 Q Why would you do that?

8 A They were the platforms available.

9 Q Well, you said there were a lot of
10 platforms available.

11 Did you direct them to trade at
12 platforms where you had entered into
13 agreements with those exchanges?

14 A Possibly, not necessarily.

15 Q Possibly.

16 Have you ever directed a market
17 makers to engage in programmatic sales of XRP
18 on a platform that you had entered into a fee
19 rebate and volume incentive agreement?

20 A Yes. Yes. Sorry.

21 Q Okay. Which one?

22 A Bitstamp. Kraken. I think that's
23 it.

24 Q Any others?

25 A Trying to remember if Bitso --

1 Bitso, once we had that agreement with them.

2 Anybody else -- Coinone, Korea. That's all I
3 can remember.

4 Q Why would you direct them to sell
5 on those platforms?

6 A They were available to sell on. A
7 little context, I think timing is important.
8 So 2017, we start four or five exchanges
9 where XRP listed. By the end of the year,
10 there's something like a hundred listings of
11 XRP. Of which we had a hand in three or
12 four, possibly.

13 So they were just -- they were part
14 of the set of available venues where we could
15 again sell XRP with the goal of not impacting
16 the market. We wouldn't have thought to
17 exclude them for any reason. They were
18 another market.

19 Q Would there be any benefit to a
20 market maker for trading on those particular
21 platforms where Ripple had entered into
22 agreement?

23 A No, with a caveat.

24 Q Okay.

25 A If -- if we were -- if they were

1 selling on a platform while the fee rebate
2 program was in existence, then they would
3 have received a rebate.

4 Q So that was the benefit to them?

5 A Sure.

6 Q Was there any other benefit to
7 having these market makers sell on platforms
8 that you guys partnered with?

9 A No.

10 Q Did it guarantee liquidity at the
11 outside of the listing on a certain platform?

12 A No.

13 Q Why not?

14 A Because there are no guarantees.
15 You could list something and it could just
16 sit there.

17 Q Did the market makers receive a fee
18 for executing programmatic sales?

19 A Yes.

20 Q How were the fees determined?

21 A They were negotiated between my
22 team, Finance, and the market makers.

23 Q And what determined how much fee
24 you would pay?

25 A I mean, we tried to pay as little

1 as we could. We -- it's a conversation.
2 They -- how much it cost them to do it. We
3 go back and figure out well, does that sound
4 reasonable? Does it sound unreasonable? It's
5 a negotiation. There weren't many --

6 Q Why would you pay some market
7 makers more than others?

8 A I'm trying to remember if we did.

9 Q Did you pay everyone the same
10 amount?

11 A As far as I remember, yes.

12 Q Earlier, you just said it was
13 negotiated and it depended. That led me to
14 believe you didn't pay everyone the same
15 amount.

16 A It was a small company.
17 Operationally, if things were different, it
18 makes everything more difficult to track.
19 Right. So Finance, definitely, was like
20 "Let's pay everyone the same if we can,
21 unless there's some mitigating circumstances
22 that don't allow us to do that." The goal was
23 always to pay everyone the same. The service
24 was the same. There was no reason to pay
25 anybody any more or less than anyone else if

1 we can get to that point.

2 Q Did you negotiate the agreements
3 with the market makers?

4 A I was part of the negotiations,
5 yes.

6 Q Do you recall paying higher fees to
7 certain market makers?

8 A I recall negotiating some -- some
9 agreements before others. So I think there
10 were points when, you know, one agreement
11 might be more than another. So we'd
12 negotiate with one and get that down. And
13 then move onto the next one and try to get
14 that one down, so that everybody had the same
15 fee schedule.

16 Q How long was a -- what was the term
17 of the agreements?

18 A I don't remember. A year.

19 Q How often would you be
20 renegotiating the agreements?

21 A I think we renegotiated them twice
22 in a three-year span -- a two-year span. So
23 yeah, about once a year.

24 Q There was no flat fee paid to
25 everybody?

1 A No.

2 Q The fee, was it paid in XRP or
3 other denomination?

4 A If I'm not mistaken, I believe the
5 fee was paid as a net of proceeds. So if
6 they sold \$100.00, they would keep \$98.00.
7 I'm -- I'm not a hundred percent sure. I
8 think it was in fiat.

9 Q So you don't recall paying any
10 XRP --

11 A I don't.

12 Q When you directed market makers to
13 trade on specific platforms, for example,
14 Bitstamp or Kraken or Coinone, did they need
15 special permission to make a market on that
16 platform?

17 A Not that I'm -- not that I'm aware
18 of. From whom?

19 Q The platform themselves.

20 A They had to be a customer of the
21 platform.

22 Q Okay. Aside from being a customer,
23 did they have to notify the platform that
24 they were going to make a market in XRP on
25 the platform?

1 A Not that I'm aware of, no.

2 Q Did you ever say help to facilitate
3 on-boarding of the market makers to any
4 platforms?

5 A Yes.

6 Q Which ones?

7 A I -- I don't remember that.

8 Q Why did you do that?

9 A Speed, efficiency. We might have a
10 relationship with the exchange already. And
11 the market maker might not. So this usually
12 involved an e-mail introduction, and then
13 kind of handed off. And that was it.

14 Q Why would the exchange need to know
15 if the market maker was buying and selling on
16 the platform?

17 A I'm sorry. I don't understand the
18 question.

19 Q If someone is buying and selling at
20 the platform from, you know, the same person,
21 that could be indicative of some manipulation
22 going on.

23 Would -- I mean, would it be
24 important for the platform to know if the
25 same party is buying and selling in the same

1 account?

2 A That's what a market maker does.

3 Q Right. So if -- going back to my
4 question, would the market maker -- would the
5 platform need to know that the market maker
6 was making a market on their platform?

7 A I don't know.

8 Q Did you ever loan any market makers
9 any XRP?

10 A Yes.

11 Q Is that in the context of their
12 programmatic sales or in relation to OTC
13 sales?

14 A Neither.

15 Q Neither. Okay.

16 Can you explain to me how it
17 happened, that you began to loan XRP to
18 market makers.

19 A Sure. So the -- how it became --
20 as part of the OTC volume, kind of growth
21 strategy, we decided it was important for
22 market makers to be able to borrow XRP in
23 order to provide liquidity, both on exchange
24 and over-the-counter.

25 Q When did you start this practice of

1 loaning XRP to market makers?

2 A Late 2017.

3 Q And were the loans directly with
4 Ripple or XRP II?

5 A XRP II. I'm pretty sure.

6 Q And just for the record, what is
7 XRP II?

8 A XRP II is our wholly owned
9 subsidiary. It's our registered MSB.

10 Q And how did the loaning of XRP
11 create liquidity for the markets?

12 A So one of the market makers biggest
13 cost is capital. And being able to acquire
14 capital is challenging. Especially was
15 challenging at the time. So our market maker
16 provides a bid and it provides an offer. The
17 bid is provided in fiat. The offer is
18 provided in the asset; gold, FX, whatever the
19 case may be. Or in this case, it was crypto.
20 It was XRP. There was challenges in
21 acquiring XRP. So one of the ways that we
22 made that easy for market makers to provide
23 liquidity, is to have access to XRP vaults.

24 Q Did the market maker pay a fee, an
25 interest fee or anything like that?

1 A There was an interest rate.

2 Q Was it a negotiated rate?

3 A At the time, no. The -- the rate
4 was two percent.

5 Q Were there requirements on the
6 borrower when they paid the XRP back?

7 A I don't think the loans had an
8 expired date.

9 Q Did they have to source the XRP
10 from any particular --

11 A Oh.

12 Q -- venue?

13 A Yes. Yes. Yes. Sorry. Yes. I
14 think there were requirements to source XRP
15 from FinSA registered exchanges.

16 Q Do you know why that was a
17 requirement?

18 A This came from Compliance. There
19 had to be visibility as to from where the XRP
20 was coming. I think the KYC/AML reasons.

21 Q Do you know why they -- it
22 needed -- why Compliance needed visibility?

23 A I -- XRP II was FinSA registered.
24 So it was a regulated entity.

25 Q Do you know why they needed

1 visibility into where the XRP originated?

2 A I don't know. I just know it was
3 regulator-related.

4 Q Did Ripple ever disclose the fact
5 that it was loaning XRP to market makers?

6 MR. CERESNEY: Disclose to who?

7 MS. WAXMAN: Publicly disclose.

8 A I believe so. I believe it was
9 part of a few market reports.

10 Q Did Ripple ever publicly disclose
11 the terms of these agreements, the specific
12 terms?

13 A No.

14 Q Did they ever publicly disclose the
15 parties to any of the agreements?

16 A No.

17 Q You said that this program began in
18 2017, correct?

19 MR. CERESNEY: You have to answer
20 yes or no.

21 A Yes.

22 Q Going back to the XRP OTC sales.
23 Did you negotiate the OTC sales
24 agreements?

25 MR. CERESNEY: I mean, if you can

1 answer the question.

2 A So with -- I'm sorry. Which ones?

3 There's -- there's two types of OTC sales.

4 One was to market makers, which I described.

5 Q Was that in connection with

6 programmatic sales or --

7 A Separate.

8 Q -- not? Separate?

9 A Separate.

10 Q Okay. And the other?

11 A The other one was more inbounds,

12 requests to purchase XRP.

13 Q From whom?

14 A Funds, mostly.

15 Q Hedge funds?

16 A Yes. I'm sorry. I'm kind of
17 vacillating here a little bit because I don't
18 really know exactly what kind of funds some
19 of these entities were. I can tell you they
20 weren't asset management funds or endowments.
21 But I'm not quite sure what -- they were
22 pools of capital. Professional pools of
23 capital.

24 Q Why were they requesting to buy --
25 why were they buying XRP?

1 A I don't know. I don't.

2 Q Were they buying it for investment?

3 A They were buying it to make money.

4 So speculative -- I always viewed it as
5 speculation, but sure.

6 Q And how did you -- how do you know
7 that?

8 A They're funds.

9 Q Was there anything about the terms
10 of the agreement that made you come to the
11 conclusion that they were buying for
12 speculative purposes or reasons?

13 A No. Nothing in the agreements.

14 Q Okay. And then what -- the market
15 makers that -- what was the purpose of those
16 agreements with market makers?

17 A So again, with [REDACTED] in
18 particular, the idea was if a customer of
19 [REDACTED] calls [REDACTED] and says, "Hey, I need
20 five million dollars worth of XRP. I want to
21 buy five million dollars worth of XRP,"
22 [REDACTED] would not have a way to efficiently
23 procure or make that trade happen.

24 They would have to go into the
25 market and possibly destabilize the market.

1 They may lose money as a result. So they're
2 going to be hesitant to provide large
3 liquidity for their customers. So the idea
4 was well, until the markets become big
5 enough, sustainable, we can provide XRP sales
6 to [REDACTED] so that they can fulfill their
7 customer orders.

8 Q So [REDACTED] is selling OTC to
9 customers?

10 A So -- customers are buying -- it's
11 a little different. The action is -- [REDACTED]
12 doesn't call the customer and say, "Hey, do
13 you want to buy XRP?" Or "Do you want to buy
14 Bitcoin? Do you want to buy EIF?" A customer
15 calls them and says, "Hey, I want to buy
16 'X'." And then [REDACTED] figures out where to
17 make that happen. In '17, they didn't have a
18 way to make that happen for XRP.

19 Q Are those customers looking to buy
20 large amounts of XRP?

21 A That was the assumption. The
22 assumption. The assumption was that their
23 problem was based on large purchases, not
24 smaller purchases.

25 Q These OTC sales agreements, let's

1 focus on the ones with the market makers,
2 what were the terms of those sales
3 agreements?

4 A So it changed over time.
5 Initially, it was -- there wasn't an
6 agreement. It was simply -- we agreed to
7 make a price to Genesis if they called
8 needing liquidity. And there were other
9 market makers. It wasn't just [REDACTED] That
10 quickly became unobtainable.

11 Again, we were two at this point,
12 maybe three people on the team. And we just
13 didn't have the operational capabilities
14 to -- we are not a trading desk. So it
15 was -- it quickly became clear that we not
16 going to be able to do this on any type of
17 scale if we had to do it for a while.

18 So we did come up with a -- I don't
19 want to call it a product because that's
20 confusing in terms of a tech company. But
21 basically, a facility. Something called a
22 "commitment to sell." That was an agreement
23 whereby we placed XRP in a wallet that the
24 market maker had control of. And when they
25 needed XRP to fulfill a large order, they

1 would just pull from the wallet.

2 And then we would -- they would
3 send us an e-mail saying, "Hey, we pulled a
4 hundred thousand XRP from the wallet at this
5 time." And we would -- we would have
6 previously agreed to an index, a pricing
7 index, and it was at this price. They would
8 send that to us. And then I think Finance
9 would sub with them at the end of the week.

10 Q So prior to the commit-to-sell
11 agreements, at what price -- were you selling
12 XRP at a discount to these market makers?

13 A No. No. No.

14 Q Market price?

15 A Market price.

16 Q In connection with the
17 commit-to-sell agreements, were you selling
18 the XRP at a discount?

19 A No.

20 Q Were you charging any additional
21 fees?

22 A No.

23 Q What was the benefit of this -- how
24 did -- why did Ripple want to do this? How
25 did Ripple benefit?

1 A So the -- the -- kind of the thesis
2 was you need -- I loathe to bring up the --

3 THE WITNESS: I'm going to have to
4 do it. Bring up the stool analogy.

5 MR. CERESNEY: Okay.

6 A So there's a three-legged stool as
7 a metaphor -- analogy for market. The base
8 of the stool and the infrastructure of the
9 market. It's your exchanges, derivatives and
10 platforms. In this case, wallets. Then you
11 have three legs. Right.

12 You have market makers, which we've
13 talk about a lot, and you need those folks.
14 We have the commerce, which we were trying to
15 build for in the future. Then you have
16 professional speculators. You look at hedge
17 funds and asset managing these folks. We
18 knew that by and large -- we knew, you know,
19 not much back then.

20 But the idea was those are large
21 pools of capital that today, are not trading
22 XRP. So we are missing a key component.
23 Those participates are going to primarily
24 trade over-the-counter. Again, it's how it
25 happens in FX. It's how it happens in

1 precious metals. Gleaning off those two
2 markets, you say, "Okay. Well, we need a
3 robust OTC market in order to get the large
4 pool of capital trading in this space."

5 So we were encouraging that OTC
6 development in order to get participation
7 from that leg of the stool.

8 Q Would you call that leg the
9 speculators?

10 A Sure. Yes.

11 Q How would you decide speculators in
12 XRP?

13 A I'm sorry?

14 Q How did you find speculators?

15 A I think the speculators, as pools
16 of capital, they are trying to make money off
17 of market movements.

18 Q Did I understand you correctly that
19 you were engaging in activity that would
20 promote speculative activity in XRP?

21 A Sure. Yes.

22 Q When did that begin?

23 A When did that begin -- in terms of
24 the OTC strategy that would have been mid '17
25 early -- I can't remember my first

1 conversation with the CEO in [REDACTED] But
2 the other guy was starting to do that.

3 Q Who -- whose idea was it to engage
4 in this strategy?

5 A I mean, the OTC strategy?

6 Q Strategy to increase speculative
7 trading of XRP.

8 A I mean, I certainly discussed it
9 internally as an important part of a market,
10 generally. So in the early stages -- I'm
11 trying to think if there was anybody else who
12 was kind of same path to goal with me. I
13 spoke to Patrick about it a bit.

14 Q You spoke a little bit already of
15 how -- how would -- how would speculative
16 trading and robust OTC market help XRP?

17 A So if you think of a mature market,
18 one that has all those participates that I
19 described, robust infrastructure, right,
20 particularly that last piece of commerce
21 coming in, that's the end goal. That's kind
22 of like, all right, we need to get to that.
23 In order to put in place the kind of
24 longer-term vision of a company.

25 We had a little bit of

1 infrastructure. We had a little bit of
2 speculation. We had a little bit of the
3 market makers. Right. And without that
4 piece, you can't get the commerce in. Right.
5 You have to have a semblance of a real market
6 in order to say to a MoneyGram or the
7 [REDACTED] or [REDACTED] Hey, here's a
8 product that really works."

9 One of the first things they look
10 at is how much liquidity is there. And
11 speculation is a big part of markets. At the
12 [REDACTED] they were sixty percent of gold bonds.
13 Right. So in my mind, I was like, "Well,
14 yeah, it has to be part of what we are
15 doing."

16 Q Did you discuss this as a strategy
17 with others at the company? So you said you
18 discussed it with Patrick. Did you discuss
19 it with others?

20 A I'm not going to remember specific
21 people, but I'm sure I did.

22 Q Was the strategy communicated up
23 the chain?

24 A By me or by others?

25 Q By you.

1 A To Patrick. I mean, Patrick was my
2 direct report.

3 Q Did you ever discuss it with Brad
4 Garlinghouse?

5 A Possibly. I'm not -- it was a long
6 time ago.

7 Q Did you ever discuss it with Chris
8 Larsen?

9 A I don't remember. Chris wasn't
10 around a lot. So he wasn't part of our daily
11 lives. But I can't definitively say I did.

12 Q Did you ever discuss it with David
13 Schwartz?

14 A I'm sure I did, yeah.

15 Q Was he on board with the approach?

16 A I don't -- I don't remember. I
17 mean, I wouldn't have a conversation with
18 David for approval. It would have been more
19 like --

20 Q So how -- what did you do to
21 increase speculative treading in XRP?

22 A The OTC strategy was kind of the
23 lynchpin. Because that was the one that
24 didn't directly -- to date, the OTC volumes,
25 they'll flow into the exchange volume and

1 then xRapid. So it's an important piece of
2 the puzzle. But we don't run xRapid flow
3 through -- through over-the-counter market
4 makers.


5 I'm sorry. I forgot the question.

6 Q How did you increase speculative
7 trading of XRP?

8 A Yeah. So --

9 Q You said OTC strategy -- your OTC
10 strategy was the lynchpin. Can you
11 summarize, and I'm sorry if you did already,
12 what you mean by the "OTC strategy"?

13 A Right. So encouraging
14 participation of over-the-counter market
15 makers and providing liquidity for XRP.

16 Q Are you talking about the OTC sales
17 agreements with market makers like 
18 and funds?

19 A Correct.

20 Q What other ways did you or the
21 company try to increase speculative trading
22 of XRP?

23 A I mean, that's the -- that's the
24 key in terms of large speculators. I think
25 one of the listings would have been another

1 one. The bulk of Bitcoin volume happens on
2 these exchanges. Or at least the visible
3 bulk of volume that goes on exchanges. It
4 was our understanding, at the time, the
5 majority of that volume was speculative. XRP
6 was not listed on exchanges. So you could
7 say that that would be the other way.

8 Q So would you target listings at
9 certain exchanges in order to increase
10 speculative trading of XRP on those
11 exchanges?

12 A I'm -- truthfully, in the early
13 stages in 2017, we targeted the exchanges
14 that existed. It was -- it was incredibly
15 early. And I think we always had an
16 overarching field or goal of target that
17 xRapid vision.

18 Not clear who was going to be
19 around. Not clear who was -- yeah. It was
20 just -- it was nebulous, to say the least, in
21 terms of how things were going to play out.
22 So the initial strategy was let's play and
23 pray strategy. Let's get XRP on as many
24 exchanges as we can.

25 Q Any other strategies to increase

1 XRP speculative trading? We talked about the
2 OTC strategy. You said increased listings.
3 Anything else? Did the commit-to-sell
4 program help increase speculative trading of
5 XRP?

6 A I'm not sure.

7 Q Was it put in place to help put
8 speculative trading in? I know your answer
9 was you are not sure it worked. But was that
10 one of the motivating factors for the
11 program?

12 A Yes.

13 THE WITNESS: Could I just use the
14 restroom for a second?

15 MS. WAXMAN: Can you wait? Sure.

16 THE WITNESS: I'll be right back.

17 MS. WAXMAN: We are off the record
18 at 11:32.

19 (A brief recess was taken.)

20 MS. WAXMAN: We are back on the
21 record at 11:36.

22 Mr. Vias, while we were off the
23 record, did you have any conversations with
24 the staff?

25 THE WITNESS: No.

1 Q So we were talking about strategies
2 that the company engaged in to increase
3 speculative trading. You mention it had OTC
4 strategy, increasing listings, the
5 commit-to-sell program.

6 Any other strategies that the
7 company engaged in to increase speculative
8 trading of XRP?

9 A No. Not that I can remember.

10 MS. WAXMAN: (Handing.)

11 (SEC Exhibit No. 17 was
12 marked for
13 identification.)

14 Q I'm showing you an e-mail that's
15 been marked as Exhibit 17. It's an e-mail
16 from you to [REDACTED] dated March 26,
17 2017. And the subject is "Q2 focus deals."

18 Just take a moment to look at it
19 and let me know when you are done.

20 (The witness examined the
21 document.)

22 A Okay.

23 Q What did you mean by "Q2 focus
24 deals"?

25 A The deals to focus on for the

1 second quarter of 2017.

2 Q Okay. And what did the deals --
3 who were the deals with?

4 A Do you want me to read these?

5 Q No. The e-mail appears to identify
6 exchanges; is that correct?

7 A There are some exchanges on here,
8 yes.

9 Q Are there any other types of
10 entities on here?

11 A There are.

12 Q What other types of entities?

13 A There's a wallet, [REDACTED]

14 Q [REDACTED]?

15 A [REDACTED]. [REDACTED] is a -- is a --
16 it's a payment processor. They take in
17 payments in Bitcoin and they convert them
18 into fiat. [REDACTED] and [REDACTED], I mentioned
19 previously, they're both market makers.

20 [REDACTED] is a market maker, over-the-counter.

21 [REDACTED] is a payments company. As
22 well as [REDACTED] they no longer exist. [REDACTED]

23 [REDACTED] is a -- I believe it's a card that
24 allows you to pay in crypto. And then [REDACTED]
25 it's an exchange liquidity aggregator.

1 Q So what sort of deals were you
2 looking to enter with the exchanges listed on
3 this exhibit?

4 A I can't speak to every single one.
5 But it would have been broadly what we
6 discussed previously, so fee rebates, volume
7 incentives.

8 Q At the top of the e-mail, there's a
9 list. It says, "For spec volume" and some
10 exchanges are listed under that category.

11 What does that mean?

12 A I think -- again, it's hard for me
13 to remember exactly what I meant by this.
14 This is three years ago. But just from
15 reading the e-mail, it seems like we are
16 going to focus on the bottom half for
17 payments and then the top half for spec
18 volume.

19 Q Are you guessing? Or is -- is that
20 your testimony?

21 A It just doesn't make a ton of sense
22 in particular because [REDACTED] is there and
23 [REDACTED] was a pay processor. I'm just --

24 Q Well, just -- I'm going to ask you
25 that. But just focusing on the exchanges

1 that are listed in Exhibit 17, does this
2 refresh your recollection as to whether you
3 identified, you know, certain exchanges that
4 would be -- you were partnered with for
5 speculative -- to increase speculative
6 treading of XRP?

7 A Yes.

8 Q Did the terms of the agreements
9 with exchanges that were identified as
10 beneficial for spec volume differ from the
11 terms of agreements with other exchanges?

12 A No, not that I can remember. No.

13 Q No?

14 A No.

15 Q Well, earlier, we spoke about that
16 the company incentivized listings in various
17 ways.

18 Generally, was the company willing
19 to pay more for a listing or an exchange that
20 would help speculative volume?

21 A No.

22 Q Why not?

23 A So at this point, none of these
24 have XRP listed. And again, the overarching
25 goal is liquidity. So at this point, you get

1 the listing; that's number one. And then you
2 figure out, okay, so now who can work with on
3 the use case? So it -- it doesn't matter
4 whether or not I'm targeting it for payments
5 or for speculative volume. In the beginning,
6 you are just trying to get liquidity.

7 Q So you are saying there was no --
8 was there a priority to which exchanges the
9 company would try to enter into agreements
10 with?

11 A Yes.

12 Q How did -- what was the priority
13 for the company?

14 A Who got the larger liquidity venue
15 or the exchange. The more volume it had, the
16 higher the priority.

17 Q Earlier, we spoke about --

18 A Sorry. With a caveat. I think
19 there was a -- there were many Asian
20 exchanges that we were not sure who those
21 folks were. We weren't sure if they were
22 legitimate. So we found that the large
23 exchanges that we wouldn't want to associate
24 with.

25 Q So with that caveat, but the larger

1 exchanges would be -- how would the larger
2 exchanges help speculative trading?

3 A It's a larger pool of capital
4 already at that exchange. As evidenced by
5 the volume.

6 Q Earlier, you said that the company
7 was willing to pay for -- pay exchanges
8 certain incentives for listing XRP.

9 Did the company ever pay listing
10 fees?

11 A Can you define "listing fee" for
12 me? How do you mean it? Just --

13 Q Well, any -- any payment outside of
14 the fee rebate or the volume incentive.

15 A Yes. Yes.

16 Q Okay. And why did they -- why did
17 the company do that?

18 A Sometimes, the exchanges would, you
19 know, claim to incur immigration costs that
20 they wanted help with. You have to integrate
21 the wallets, it takes a little bit of time.
22 We had, I think, SFOX in particular. There
23 was a conversation around that.

24 Q Other than compensating for
25 integration fees, is there any other reason

1 why the company would pay a listing fee to an
2 exchange?

3 A Is there a reason -- we had one
4 Kraken. Kraken and much of that deal
5 predated me at the company. But there was a
6 payment in there, I think of seventeen
7 million XRP to Kraken.

8 Q Did you ever learn why they paid
9 that amount to Kraken?

10 A I never had the details. But [REDACTED]
11 [REDACTED] the CEO of Kraken and I believe an
12 early Ripple investor, he may have even been
13 on the board, felt like he was owed seventeen
14 million XRP.

15 Q Who told you that?

16 A Oh, I don't remember. I don't
17 remember that. I don't remember.

18 Q Why did the company agree to pay
19 for it -- pay it?

20 A It -- it's -- I don't think the
21 deal was going to get done if -- they were
22 being adamant about it. So I can't remember
23 as to why the final decision was made as to
24 go ahead and pay it. But it was clear Kraken
25 was just -- it was non-negotiable from

1 Kraken's position.

2 Q In order to get XRP listed on
3 Kraken, that's what needed to be done?

4 A At the time.

5 Q How did you come to that
6 understanding?

7 A Oh man -- if I remember correctly,
8 during the negotiation, and I can't remember
9 what moment it became -- it became just black
10 and white. But there was a point where it
11 was like it either happens or it's not going
12 to happen.

13 Q Was the listing on Kraken
14 important?

15 A Yes.

16 Q Why was it important?

17 A It was one of the larger exchanges.

18 Q Were they going to trade the XRP
19 USD trading pair?

20 A I think that was part of the
21 agreement, yes.

22 Q Was it important for speculative to
23 increase speculative trading volume?

24 A Yes.

25 Q Did you negotiate -- I know you

1 said that Kraken agreement predated you, but
2 did you negotiate other agreements with
3 exchanges?

4 A I did.

5 Q Were there other instances where
6 you paid a listing fee to an exchange?

7 MR. CERESNEY: Just to be clear, I
8 think he said there was a listing fee. You
9 said other listing fees.

10 MS. WAXMAN: Well, he asked me what
11 I meant by "listing fee." I said anything
12 other than the fee rebate and volume
13 incentive payment. So that's what I'm
14 talking about. So anything other than in
15 connection with those two things.

16 A Yeah. It's just when you say,
17 "listing fee," it sounds like that's a
18 practice of the exchange. Which in the case
19 of Kraken, I know it wasn't. It was very
20 much a one-off.

21 Q I understand. You know, like New
22 York Stock Exchange made a listing fee or --
23 they may have a practice -- I understand what
24 you are saying. I'll try not to use the
25 term.

1 The question is, did you pay any
2 other exchange, any other fees outside of the
3 fee rebate and the volume incentive?

4 A We may have paid some integration
5 fees. I can't -- something in the back of my
6 mind is saying that we paid someone something
7 for integration. But I can't quite remember
8 who it was.

9 Q You negotiated these agreements
10 with exchanges, correct?

11 A Well, I ran the team. [REDACTED] would
12 have done -- depending on the relationship,
13 it would have been me or [REDACTED]
14 [REDACTED]

15 Q Who would determine the terms of
16 the agreements?

17 A Either one of us.

18 Q And so would you need to approve
19 all the terms?

20 A I mean, I wasn't the final
21 approver. I would -- or we would -- one of
22 the two of us would negotiate the deal and
23 then present it to whoever we were reporting
24 to at the time, Patrick or Ron.

25 Q When you say, "negotiate the deal,"

1 can -- we spoke a little about the fee rebate
2 and the volume incentive.

3 What were the parts of the deal?
4 And right now, I'm asking about deals that
5 had other fees in addition to the fee rebate
6 and the volume incentive.

7 A The vast -- I don't -- it was
8 ineffable to me to pay a listing fee to an
9 exchange. Because I felt strongly that in
10 the long run, XRP was going to be incredibly
11 profitable for that exchange. They had a
12 possibility of working with us on a real use
13 case.

14 So when I negotiated the deals, one
15 of the things that was pretty clear from my
16 point of view was "I'm not paying you a
17 listing fee." I might help you grow your
18 liquidity because that's beneficial to both
19 of us, but I don't need to pay you to help
20 you.

21 Like I'm already helping you. I'm
22 bringing something that's material and ready
23 to use case. I don't need to pay you. So
24 generally, like that was "Just so you know,
25 I'm not writing you a check to list XRP."

1 That was my general stance on this.

2 Q But at some point, did you need to
3 pay additional fees in order to get the
4 listing?

5 A Not that I remember.

6 Q Do you ever -- do you remember
7 paying any additional fees?

8 A I don't.

9 MS. WAXMAN: Now, you have to give
10 me a minute to find --

11 THE WITNESS: Okay. Take your
12 time.

13 (SEC Exhibit No. 18 was
14 marked for
15 identification.)

16 Q Showing you what's been marked as
17 Exhibit 18. It's an e-mail from you to
18 Patrick Griffin dated July 26, 2017 and the
19 subject is "Re: [REDACTED] draft."

20 A Yes.

21 Q Take a moment to look at it and let
22 me know when you are done.

23 (The witness examined the
24 document.)

25 A Yes.

1 Q Did you ever discuss paying [REDACTED]
2 a fee in addition to any other, you know, fee
3 rebate or volume incentive?

4 A Yes.

5 Q What did you discuss? And with
6 whom?

7 A So we discussed paying a fee to
8 list XRP.

9 Q But you just said that you loathed
10 to pay any sort of fee.

11 How come you were willing to
12 discuss the idea with respect to [REDACTED]?

13 A Because it was coming from Patrick.
14 He was my boss.

15 Q Okay. And why did he want to
16 pay -- did he want to pay [REDACTED] a fee?

17 A If I remember correctly, he was --
18 he was open to it, yes.

19 Q And why?

20 A I don't know why.

21 Q Did you ever ask him? Considering
22 your feelings about fees, did you ever ask
23 him why he thought it was needed?

24 A I didn't. I assumed.

25 Q You assumed what?

1 A I assumed he was willing to pay
2 them a fee because they were a large exchange
3 in the space.

4 Q And what would a listing on [REDACTED]
5 mean for XRP?

6 A Another U.S. dollar XRP on-ramp.

7 Q How would that affect possible
8 speculation in the XRP?

9 A In the short-term, it would
10 increase better volume. In the long run, it
11 would be another on-ramp for xRapid.

12 Q And in the short-term, speculative
13 volume -- this is in 2017, in the short-term,
14 that was a priority or a goal for the
15 company?

16 A One of the legs of the stools.

17 Q One of the legs of the stool.

18 Other than Patrick, did you discuss
19 paying [REDACTED] a fee -- did you discuss with
20 anyone else paying [REDACTED] a fee?

21 A I don't remember if I discussed it
22 with Brad Garlinghouse, but I think he was a
23 part of this discussion. I can't remember if
24 it was this one or if there was another one.
25 But yes, paying [REDACTED] a fee was -- I would

1 definitely discuss it at some point with
2 Brad.

3 Q What were his thoughts on the
4 issue?

5 A I don't remember his thoughts. I
6 know in the end, we --

7 Q What did he say to you?

8 A I don't remember. My -- Patrick
9 was the primary liaison with Brad. Brad was
10 the CEO. Patrick reports to him. I report
11 to Patrick. Most of my interaction around
12 this was with Patrick. But we wouldn't have
13 been able to send -- or Patrick would not
14 have been able to send this e-mail without
15 some sort of approval from Brad. We don't
16 make too many offers to someone without the
17 CEO knowing.

18 Q But prior to this e-mail, were
19 there negotiations going on with [REDACTED]?

20 A Not that I was involved with, no.

21 Q At the -- the very bottom of the
22 page, it says -- it's an e-mail from Patrick.
23 It's addressed to [REDACTED]

24 Do you know who those folks are?

25 A [REDACTED]

1 [REDACTED] are the co-CEOs of [REDACTED]

2 Q Do you have any reason to believe
3 that that e-mail didn't -- wasn't sent to
4 them?

5 A No.

6 Q It says -- Patrick says, "I'm
7 reaching out to find a way to push ahead with
8 the partnership between Ripple and [REDACTED] to
9 list XRP on your exchange and support in your
10 custody business. We've tried a couple of
11 different approaches offering to cover
12 inflammation cost, pain rebates, broker
13 interest to large XRP holders for custody.
14 But none seem to move the needle."

15 Were you involved in those previous
16 discussions with them?

17 A I don't -- I don't remember being
18 involved, no; with [REDACTED]

19 Q Is there any reason why you
20 wouldn't have been involved with this
21 exchange?

22 A It may have predated my joining
23 the -- whatever he's discussing here.

24 Q Well, you joined in November 2016,
25 right?

1 A Right.

2 Q So you mean their conversations
3 with [REDACTED] may have predated.

4 A Possibly. Yes, possibly. I'm just
5 trying -- I'm trying to think of whether or
6 not -- I -- [REDACTED] is not my favorite. So I
7 didn't have -- and they weren't -- they
8 weren't really engaging. So I'm trying to
9 remember -- generally. I'm just talking
10 broadly. I'm trying to remember how much I
11 was involved.

12 Q Or why you weren't involved?

13 A Or why I wasn't. I can't quite
14 remember. But I just know I wasn't -- I
15 wasn't involved.

16 Q What is Patrick asking of you in
17 this e-mail?

18 A He's asking my opinion as to
19 whether or not the [REDACTED] dollar number
20 is good, useful, helpful, would it get the
21 deal done.

22 Q And do you know how he got the two
23 million number?

24 A I don't.

25 Q And do you know if they ever paid

1 this to [REDACTED]

2 A Did not.

3 Q How would you value -- in this
4 case, do you know how he came up with the [REDACTED]
5 [REDACTED] dollar number?

6 A I don't.

7 Q At the very top of the page, your
8 initial e-mail says, "Okay. I'll have more
9 color for you tonight after I finish the
10 Coinbase proposal."

11 What was the Coinbase proposal?

12 A I don't remember.

13 Q Did the company engage with
14 Coinbase?

15 A We did.

16 Q What was the purpose?

17 A XRP listing -- in 2017.

18 Q In 2017. I understand from the
19 documents that there's a long history with
20 Coinbase.

21 A Right.

22 Q Was that the first reach out to
23 Coinbase?

24 A While I was at the company? Early
25 2017, yes.

1 Q What did you mean by "proposal"?

2 A I'm -- I'm -- from the e-mail and
3 context here, I'm guessing it's about an XRP
4 listing proposal.

5 Q Did you offer to pay a fee in
6 addition to any fee rebate involving
7 incentives to Coinbase?

8 A I wouldn't say we offered.

9 Q Was a fee discussed?

10 A Yes.

11 Q And what was the amount of the fee?

12 A Five million dollars.

13 Q Who came up with that number?

14 A [REDACTED]

15 Q And how did you -- why did -- how
16 did you evaluate that number, whether or not
17 the company would be willing to pay that?
18 First of all, was it your job to evaluate
19 whether the listing was worth five million?

20 A I don't know if it was my job to
21 evaluate. But my opinion would have been
22 heard.

23 Q How did you evaluate whether or not
24 to pay that amount?

25 A I believe that amount was just --

1 when we were discussing that number, it was
2 based -- I don't want to say it was
3 completely disregarded offhand in the
4 beginning. But it was an unreasonable
5 number, in our opinion.

6 Q What would have been a reasonable
7 number?

8 A I don't know.

9 Q How would you determine what a
10 reasonable number would be?

11 A I don't have a framework for
12 knowing that. I don't know.

13 Q Did you discuss what amount the
14 company would be willing to pay in connection
15 with the Coinbase listing?

16 A I'm almost certain of it, yes.

17 Q Who did you discuss it with?

18 A It would have been Patrick.

19 Possibly [REDACTED] I'm trying to
20 think -- possibly [REDACTED] I think
21 he would have been on my team at this point.

22 Q Given the fact that you -- given
23 your -- given your opinion about payments to
24 exchanges, why would the company even
25 consider the payment to Coinbase?

1 A My -- it's just my opinion.

2 Q Sure.

3 A I don't run the company.

4 Q As head of XRP markets, as the
5 person responsible for growing liquidity in
6 XRP, as the person responsible for executing
7 on the company's XRP strategy, why would a
8 listing at Coinbase be worthwhile?

9 A One of the largest exchanges in the
10 world.

11 Q Would that help with speculative
12 trading in XRP?

13 A Sure.

14 Q Did the company try to engage
15 Coinbase -- over what period of time did the
16 company try to engage Coinbase regarding
17 listing?

18 A 2017 or 2018.

19 Q Did XRP ultimately get listed on
20 Coinbase?

21 A It did.

22 Q And when?

23 A Twenty -- early 2019.

24 Q Early 2019?

25 THE WITNESS: Is that right? I

1 can't quite remember.

2 MR. CERESNEY: Yeah.

3 Q Was the company willing to pay a
4 fee outside of any rebates or incentive?

5 A No.

6 Q The company did not --

7 A Sorry. Could you rephrase the
8 question? I want to make sure I have it
9 right.

10 Q Was the company -- based on your
11 interactions with people at the company,
12 internal communications, were they willing to
13 pay --

14 A At which point --

15 Q -- a fee to Coinbase? At any point
16 in time in the relationship.

17 A I think early on in 2017, there was
18 more willingness. In 2018, there was much
19 less willingness.

20 Q I think you said this, so I
21 apologize.

22 They were willing to pay a fee, but
23 not the five million?

24 A Right. That's correct.

25 Q Do you know how much they were

1 willing to pay?

2 A I don't.

3 Q And at some point, things changed,
4 that they were no longer willing to pay the
5 fee?

6 A Less willing. I'm not -- I don't
7 want to speak definitively as to whether or
8 not the whole company was not willing to do
9 something. It does feel like in 2018 it
10 was -- yeah. I would say -- I would say yes.
11 In 2018, we weren't willing to do that.

12 Q When you say, "we," who --

13 A Ripple.

14 Q Who was the ultimate decision maker
15 on this?

16 A The -- it depends on the size of
17 the payment that we are discussing. Smaller
18 payments for other types of deals can get
19 approval without having to go all the way to
20 Brad. But I think for larger deals, you'd
21 have to go through the rep.

22 Q Could you quantify what a larger
23 deal was?

24 A There's not like a memo or
25 anything, it's like a rule of thumb. Say

1 anything sub 500,000, you might be able to
2 just get approval.

3 Q You mean north of 500,000.

4 A Yes. North, you'd need approval.

5 And maybe south, we can --

6 Q Could you negotiate that on your
7 own?

8 A Negotiate the deal on my own?

9 Q Yeah.

10 A Yeah.

11 Q Did you need approval from anyone
12 other than Patrick?

13 A To negotiate the deal, no.

14 Q To enter into the deal?

15 A Yeah. Yeah. I couldn't --
16 negotiating is one thing. Final approval and
17 signing the documents is another.

18 Q Who gave final approval?

19 A Again, based on size, so north, it
20 would have been Brad.

21 Q And then south?

22 A Finance might have been -- and
23 again, I'm thinking about the transition from
24 Patrick to Ron. When I moved on to Ron,
25 Ron's the CFO. He's more directly tied to

1 operation expenses for the company. So he
2 has better visibility. So he may have been,
3 "That's okay." I can let Brad know, but not
4 like I need Brad's signature; as an example.

5 Q So the deals that were south of
6 500,000, how did you determine and also --

7 A That's a rule of thumb. That's --

8 Q Okay. So going back.

9 Did all these deals involve fee
10 rebates and volume incentive?

11 MR. CERESNEY: All these deals with
12 exchanges?

13 MS. WAXMAN: Yeah.

14 A I can't quite remember the Coinbase
15 proposal.

16 Q Okay. I can show you some
17 documents.

18 But so for the smaller deal -- for
19 the smaller exchanges, how did you determine
20 how much of a rebate to provide, how much of
21 a volume incentive to provide?

22 A If I remember correctly, we had a
23 budget in '17. I think it was 75,000 per
24 exchange or something along those lines.
25 Maybe growing a little bit if it was a bigger

1 exchange and we expected more volume at the
2 outset and what the idea on fee rebate is.
3 You are going to pay for fees for the first
4 six months to get liquidity growing.

5 So it was kind of based on the
6 Bitcoin volume, their other liquidity. And
7 say, what's reasonable to expect in terms of
8 growth in the first six months. How much do
9 you think we have to pay in fee rebates.
10 So -- and the idea was always that over time,
11 we'll get better at this because we'll have
12 more data. But we didn't get more data, we
13 basically stopped doing it after -- for
14 listings after 2017.

15 Q You stopped entering into fee
16 rebate and volume incentive agreements in
17 2017?

18 A I'm sure that there's something in
19 2018. But it was phasing out, and it wasn't
20 our focus.

21 Q So the fee rebates, who did that go
22 to?

23 A For approval?

24 Q No. I'm sorry.

25 The fee rebates, who were the

1 actual rebates paid to?

2 A The rebate would have been paid to
3 the exchange.

4 Q To the exchange.

5 And were they the ultimate
6 beneficiary? Did they pay it out to
7 people -- to customers in their exchange?

8 A I don't know. I don't know if the
9 exchanges charged the fees and then
10 reimbursed them. Or if they didn't charge
11 the fees, and kept the XRPs or dollars,
12 whatever it was they were paying the fee
13 rebates in I'm not sure.

14 Q Can you explain to me how you
15 determined the volume incentives?

16 A Similar process.

17 Q Did you use some of the market data
18 for that particular exchange --

19 A Exchange.

20 Q -- in order to determine volume?

21 A Right. Again, it was an estimate
22 of how much volume we thought XRP --

23 Q Was there a reason that you had
24 both the fee rebate and the volume incentive?
25 Were they targeted to different people?

1 A If I remember -- if I remember
2 correctly, yes. I feel like the fee rebate
3 was a more general blanket rebate for the
4 whole market. And the volume incentives --
5 again, I think we tried this -- we tried this
6 to two or three times -- would have been more
7 around high volume participates. So more
8 like market makers, if you will, who trade a
9 lot.

10 Q So were the fees -- were the volume
11 incentives geared towards market makers that
12 would be making markets in XRP at that
13 particular exchange?

14 A It was -- not necessarily. I mean,
15 you can -- it was geared towards high-volume
16 traders. So that doesn't necessarily have to
17 be a market maker. It can be somebody who
18 just trades a lot.

19 Q How did the exchange identify who
20 the high-volume traders were?

21 A I -- I don't know for certain. But
22 they would have had the accounts, and they
23 would have been able to see how much volume
24 somebody was trading on that exchange.

25 Q Was there any concern that the

1 volume incentive provided for manipulative or
2 wash trading in XRP?

3 A You mean from Ripple or the
4 exchange?

5 Q From anyone.

6 A Okay. Not from us, no.

7 Q Did any market makers express any
8 concerns with the volume incentive program?

9 A Not that I can recall, no.

10 Q Did any exchanges express any
11 concerns?

12 A No.

13 Q Did the exchanges -- if you know,
14 the exchanges that you worked with, did they
15 monitor for a potential wash trading in XRP?

16 A I don't know.

17 (SEC Exhibit No. 19 was
18 marked for
19 identification.)

20 Q I'm showing you what's been marked
21 as Exhibit 19. It's an e-mail from you to
22 [REDACTED] at Coinbase and Patrick Griffin, dated
23 January 20, 2017. And the subject is "XRP
24 rebate and volume incentive programs."

25 Take a moment to look at that and

1 let me know when you are done.

2 (The witness examined the
3 document.)

4 A Okay.

5 Q Who is [REDACTED] by the way?

6 A [REDACTED]

7 Q What is his role at Coinbase?

8 A I believe, at the time, he was head
9 of GDAX.

10 Q What is GDAX?

11 A GDAX is the actual exchange at
12 Coinbase.

13 Q Is it open to all customers?

14 A As far as I know.

15 Q Does this refresh your recollection
16 as to around the time you began speaking with
17 Coinbase?

18 A Yes.

19 Q In the second paragraph, you talk
20 about the rebate program and volume incentive
21 program.

22 A Mm-hmm.

23 Q You say, "The rebate program is
24 meant to subsidize the cost of trading for
25 the whole market for a period of time. The

1 volume incentive program is geared towards
2 attracting market makers and guarantees
3 liquidity from the outset."

4 Why did you want to guarantee
5 liquidity from the outset?

6 A It's important for the exchange.
7 And let's be frank here, I can't guarantee
8 anything. I was -- there's an intention to
9 have liquidity from the beginning. Again,
10 there are no guarantees.

11 Q Well, did you direct certain market
12 makers to trade on certain platforms?

13 A No.

14 Q So were market makers able to trade
15 on any platform?

16 A Generally?

17 Q The market makers that you entered
18 into agreements with.

19 A Yes.

20 Q If they traded on the platform that
21 provided the volume incentive, they would
22 have an additional -- they would receive the
23 benefit?

24 A Sure. Like any other market maker.

25 Q Under the heading "Rebate Program,"

1 it says, "The program will be live from
2 January to April."

3 How long were the agreements,
4 typically?

5 A I think that's -- that's about
6 right. About three months.

7 Q Why were they only three months?

8 A I think -- generally, the feeling
9 was -- and this is mostly me. If it hasn't
10 worked in three months, then chances that it
11 works in six -- at least in my experience.
12 If something hadn't taken off in three
13 months, the likelihood that it was going to
14 take off was probably not -- not good.

15 Q When you say didn't work, what were
16 you trying to get at with these programs?

17 A Volume, liquidity.

18 Q Speculation?

19 A (A nonverbal response was given.)

20 Q Yes?

21 A Yes. Sure.

22 Q Towards the bottom, the second to
23 last paragraph, you write -- and this is in
24 connection with the communication with
25 Coinbase, "We would also be open to a

1 framework for exclusivity."

2 What were you talking about there?

3 A What did I mean by that -- I
4 think -- and I don't quite -- I don't quite
5 exactly recall what I meant by that in this
6 context. My guess would be that we would
7 agree not to enter into an agreement like
8 this with another U.S. exchange, as an
9 example. Because Coinbase is in the U.S.

10 Q How would that -- why would that be
11 beneficial to Coinbase?

12 A Because the liquidity of XRP would
13 then pool on their exchange and I don't know,
14 the exchanges.

15 Q And they would collect more fees?

16 A Right.

17 Q Then you write, "We would also be
18 open to minimum volume guarantees for a
19 limited time after launch."

20 What did you mean by that?

21 A I -- I don't remember a hundred
22 percent. But again, from the e-mail and from
23 the context of the engagement, possibly --
24 you know, putting together some sort of a
25 structure where we guaranteed volume and give

1 them some payment if we don't hit a certain
2 volume threshold -- if XRP doesn't hit a
3 certain volume threshold.

4 Q How would you guarantee volume?

5 A That's a good question. Again,
6 guarantees are few far between. But --

7 Q You said earlier you could provide
8 payment. That would be one way to guarantee
9 a certain amount of --

10 A You are not guaranteeing volume.
11 You're just saying, "Hey, I think you'll get
12 a million dollars a day in trading. And if
13 you don't average that over the month, we'll
14 make up the difference as if you had. So
15 let's say you only had 500,000 in daily
16 activity or whatever fees you would have
17 picked up on a million, we guarantee you that
18 we'll pay the difference."

19 Q How did you try to limit the amount
20 that had -- that would come out of Ripple's
21 pocket?

22 A We never did this. So I mean, we
23 never really -- I never tried to do this. We
24 never ended up giving volume guarantees that
25 I can remember.

1 Q I know you didn't do it. I'm just
2 trying to understand what you meant when you
3 wrote this e-mail. You know, what you
4 envisioned doing.

5 A What I envisioned doing was
6 rebating them fees that they wouldn't --
7 again, setting a number and saying, "Hey, we
8 think this is what will come to the Coinbase
9 exchange. If it doesn't, then" -- yeah.

10 Q We'll make up the difference.

11 A We'll make up the difference in
12 fees.

13 Q Did you have a number in mind?

14 A I didn't, no.

15 Q Is that something you had ever done
16 with anyone -- any other exchange?

17 A I don't think so, no.

18 Q But I'm still trying to understand,
19 how would you generate volume on Coinbase?

20 A Yeah, I don't -- I don't --

21 Q So you didn't have to pay.

22 A We wouldn't generate -- I wouldn't
23 have viewed it as our -- we would have u
24 could have been helpful. We could have -- in
25 fact, subsequent to this conversation with

1 [REDACTED] I believe he asked us to -- as part of
2 that five million-dollar agreement, that
3 conversation, he wanted three market makers,
4 like three really topnotch market makers to
5 be providing liquidity in XRP. In that
6 context, we could have introduced market
7 makers to Coinbase to provide liquidity in
8 XRP.

9 Q Well, in -- you could have
10 introduced the market maker. But could you
11 guarantee that that market maker would make
12 market on that platform?

13 A We can guarantee we can help. We
14 could lend them XRP to provide markets. So
15 that's something we could have done.

16 Q Did you do that?

17 A I don't -- well, we did lend XRP to
18 market makers, yes. Yeah.

19 Q Right. And also, the volume
20 incentive program was aimed to increase
21 volume on the platform.

22 A Yeah, for high volume traders.

23 Q So is it fair to say that the
24 rebate program was geared towards
25 everybody -- retail -- included retail?

1 A Retail, high net worth, funds,
2 market makers, whomever.

3 Q Anyone was eligible.

4 So what -- what happened after you
5 sent this e-mail to Coinbase? What was their
6 response?

7 A I don't -- I don't remember exactly
8 right after this. But the --

9 Q In 2017.

10 A In 2017, that was when they came
11 back and said, "No. This is nice. Thank
12 you. But we'd like a five million-dollar
13 payment and a guarantee of market makers" and
14 then something else. I can't remember the
15 third thing.

16 Q Did you guarantee market makers on
17 other platforms?

18 A Did I guarantee market makers on
19 other platforms -- what do you mean by
20 "guarantee"?

21 Q You said you really can't get --
22 can you guarantee a market maker, first of
23 all?

24 A I can make an introduction and say,
25 "Hey, this market maker provides liquidity

1 and XRP on other markets. Maybe they'd be
2 willing to provide liquidity and XRP on your
3 exchange as well." But then that negotiation
4 as to however that relationship looks, I have
5 no idea.

6 Q Was there ever a term in any of the
7 agreements with the exchanges that said we
8 will introduce X number of market makers?

9 A I don't think so. No. I was
10 trying to think. Because it's the Coinbase
11 conversation and I'm trying to think of the
12 other conversations, but I don't think so.

13 Q So they came back for five million.

14 What happened after that?

15 A I don't remember all the details in
16 terms of the back and forth and the
17 conversations. But we said, "No."

18 Q And it died?

19 A And it died. And it died, yeah.

20 Q We'll definitely pick that up,

21 Coinbase.

22 What does the term "jump ball"
23 refer to?

24 A I'm not going to be funny. I won't
25 do it.

1 Q It's a long day.

2 MR. CERESNEY: Don't be funny.

3 THE WITNESS: Right. I'm not going
4 to be.

5 MR. CERESNEY: Do you know the
6 answer?

7 A I don't know the answer off the top
8 of my head, no.

9 Q Did you ever use the term "jump
10 ball" in the context of the rebates and
11 volume incentive program?

12 A I may have, yes.

13 (SEC Exhibit No. 20 was
14 marked for
15 identification.)

16 Q I'm showing you what's been marked
17 as Exhibit number 20. It's an e-mail
18 exchange from you. The top e-mail chain is
19 from you to Denuca, dated January 10, 2017.
20 And the subject is "Volume incentive program.
21 October reimbursement and" --

22 A Sorry. I don't have that document.

23 Q Sorry. I -- that's not the
24 document I gave you. It's a different
25 document. The document I gave you is Exhibit

1 20. It's an e-mail chain from you to Patrick
2 dated December 26, 2016. The subject is "RE:
3 Bitstamp status update."

4 A Okay. Yes.

5 MS. WAXMAN: Give me a second.
6 I'll circulate it to everybody. You may want
7 to read the whole e-mail starting from the
8 back.

9 (The witness examined the
10 document.)

11 A Okay.

12 Q Does this refresh your memory of
13 what the jump ball program was?

14 A I wouldn't characterize it as a
15 program. I'm sure --

16 Q I'm just reading the e-mail. In
17 the e-mail it says, "jump ball program." But
18 noted that it's -- that's not the term you
19 would use.

20 A Right. Yes.

21 Q What was -- how did you use the
22 term "jump ball"?

23 A So this would have been a way to
24 describe the volume incentive program.

25 Q The incentive to get market makers

1 to participate on the first day of listing?

2 A Correct.

3 Q Why did you want market makers to
4 participate on day one?

5 A If the order books on day one are
6 empty, then there's nothing to trade. So you
7 need some baseline liquidity.

8 Q Were you concerned that if there
9 wasn't enough trading that the exchange would
10 drop the listing?

11 A No. No. It just -- it's just poor
12 form. You know, you can do a lot of work to
13 get these listings up. The exchange does a
14 lot of work. And then for it not to produce
15 some volume in the beginning, it's
16 disappointing.

17 Q The beginning of the e-mail talks
18 about the Bitstamp -- listing on Bitstamp.

19 Were you involved in the
20 negotiation of the agreement with Bitstamp?

21 A I was.

22 Q What were the terms of the
23 agreement with Bitstamp?

24 A I mean, just reading from the
25 e-mail --

1 Q Sure.

2 A -- it's a 75,000-dollar fee rebate
3 and 100,000-dollar volume incentive.

4 Q Did you have to get approval for
5 those e-mails?

6 A I think I got approval from
7 Patrick.

8 Q This is an e-mail from [REDACTED]
9 right? About -- I'm talking about the
10 December 24, 2016 e-mail.

11 A What time?

12 Q At 3:21.

13 A 3:21.

14 Q The last e-mail.

15 He reported to you?

16 A Yes.

17 Q Did you discuss the Bitstamp
18 agreement with him?

19 A Yes.

20 Q Underneath the area that says,
21 "Incentive plan," underneath it says, "Market
22 makers commitments."

23 A Okay.

24 Q What does that mean?

25 A So it means this would have been

1 commitments by the market makers.

2 Q To do what?

3 A To provide two selling markets on
4 Bitstamp at launch.

5 Q How did you get those commitments?

6 A What -- sorry. I don't understand
7 the question.

8 Q Were the commitments part of the
9 deal with Bitstamp?

10 A No.

11 Q Why are they included here then?

12 A So when you say included in the
13 deal, do you mean in the actual document that
14 we signed?

15 Q Well, we can take a look at the
16 actual document. But it seems like, to me,
17 and tell me if I'm wrong, that, you know,
18 he's going over what was discussed with
19 Bitstamp in connection with their launch of
20 an XRP listing. I can look and see what the
21 trading period -- in Euros and USD and these
22 all seem parts of the deal that you guys
23 discussed with them.

24 So whether or not it's in the
25 actual agreement, it seems like market makers

1 were discussed. I just want to better
2 understand what was meant by "market makers
3 commitments."

4 A So the -- we would have discussed
5 having market makers at launch on the pairs.
6 Yeah.

7 Q Well, it says, "market makers
8 commitments." And then it lists specific
9 market makers.

10 Did you get commitments from these
11 market makers to trade on Bitstamp?

12 A I mean what's on here. Right. So
13 if you read these, there's exploring --

14 Q Independent of this document, do
15 you have a recollection of --

16 A I don't.

17 Q Let me finish the question.

18 Do you have a recollection of
19 talking to market makers, these market
20 makers, and getting commitments from them to
21 trade on Bitstamp?

22 A I don't.

23 Q Who -- let's -- would that be
24 something that [REDACTED] did?

25 A Yes.

1 Q And would it be a verbal
2 commitment?

3 A Yes.

4 Q And who is [REDACTED]?

5 A One of our market makers.

6 Q When you say, "market makers," did
7 you use [REDACTED] to engage in programmatic
8 sales of XRP?

9 A Yes.

10 Q Did you also enter into agreements
11 with [REDACTED] for OTC sales?

12 A No.

13 Q So were these market makers
14 engaging in programmatic sales on Bitstamp?

15 A Sorry. What -- when?

16 Q This time period, twenty --
17 December -- I'm talking about in the context
18 of the upcoming Bitstamp launch of the XRP
19 trading pairs in Euro and USD.

20 A Okay. I don't remember if these
21 market makers would have been selling on
22 Bitstamp at that time. I believe Bitstamp
23 had an XRP DTC listing. So not a fiat
24 listing, but against crypto. These market
25 makers may have been selling there.

1 To be honest, if I look at this, I
2 think not. Because both [REDACTED] and GSR are
3 not integrated. So if they're not integrated
4 to the exchange, I don't know how they would
5 have been selling on Bitstamp.

6 Q Well, this was talking about at
7 some point in the near future.

8 A Right. But in order for them to
9 have been selling on the exchange, they
10 already would have had to have been
11 integrated to the exchange.

12 Q What do you mean by integration?

13 A API integration.

14 Q Was -- I don't know how to
15 pronounce that, [REDACTED]?

16 A [REDACTED]

17 Q Were they one of the market makers
18 that Ripple used for programmatic sales?

19 A Yes.

20 Q What about GSI?

21 A Yes.

22 Q And [REDACTED]?

23 A I don't remember who that is.

24 Q And [REDACTED]?

25 A They were not programmatic sale.

1 Q The next section talks about data
2 measurement.

3 A Mm-hmm.

4 Q It says, "Bitstamp can send account
5 volume data for partner market makers on a
6 weekly or biweekly basis."

7 Who are they sending the data to?
8 Are they sending it to Ripple?

9 A I think so, yes.

10 Q Why would you want to monitor the
11 information?

12 A I think mostly for the -- we have
13 to pay the rebate. So we need the data to
14 know exactly how much is traded so that we
15 know what to pay them.

16 Q Any other reasons why wow would
17 want to track activities on the platform in
18 XRP?

19 A I mean we can see the volume on
20 other venues. So that would be the only
21 other thing, just to see the overall number.
22 I can't think of another reason.

23 MR. CERESNEY: You still okay?

24 THE WITNESS: Oh, I'm great. This
25 is wonderful. I'm enjoying the conversation.

1 MR. CERESNEY: Okay.

2 MS. WAXMAN: Me too. I just want
3 to finish this document and then we'll take a
4 lunch break.

5 THE WITNESS: Sure. Okay.

6 Q Going down, at the bottom page, it
7 says, "Self-matching filtering. Bitstamp is
8 not prepared to filter for this yet, but it
9 should not be a major concern for now due to
10 the natural disincentive to self-match.
11 Which would push the pool -- Bitstamp to
12 support this later."

13 Does this refresh your recollection
14 as to whether there were any discussions
15 about the incentive program and whether it
16 would incentivize people to engage in wash
17 trading?

18 A Just define "wash trading."

19 Q Well, I define wash trading when
20 you have the same person on both sides of the
21 transaction and they're engaging with each
22 other. Sometimes to engage in raise the
23 price or for any -- some other manipulative
24 reason. It may not be to raise the price.
25 But in this situation --

1 A I trade with myself; is that what
2 you mean?

3 Q Yeah.

4 A Yeah. Sure. Yes.

5 Q What do you -- do you understand
6 what it means to self-match, what
7 self-matching filtering is?

8 A Self-matching means you trade with
9 yourself.

10 Q Did you discuss with Bitstamp
11 filtering for self-matching?

12 A I don't remember discussing it with
13 them. But clearly, [REDACTED] did.

14 Q Did you discuss it with any
15 exchange?

16 A I don't remember.

17 Q It says, "We can push Bitstamp to
18 support this later."

19 Do you recall the conversations
20 with Bitstamp to support self-match
21 filtering?

22 A I do not.

23 Q Then it goes on to marketing
24 tactics.

25 Did -- did Ripple market the fact

1 that exchanges were going to trade XRP or
2 list XRP?

3 A After the fact.

4 Q When you say, "after the fact," how
5 much after?

6 A I don't know. I just -- I make the
7 distinction because I don't -- I don't
8 remember us releasing information beforehand.

9 Q So once the asset was trading,
10 that's when you would advertise it; but not
11 before?

12 A I believe so.

13 Q Was it -- did anyone specifically
14 say, "Don't advertise before the listing
15 happens"? Before --

16 A No, not that I recall.

17 Q So why are you making that
18 distinction?

19 A Just -- I don't remember a lot of
20 lead time, if any, before listing. I could
21 be -- I could be wrong.

22 Q Why would the company want to
23 publicize the listing?

24 A If people don't know that it's
25 listed, then how are they going to trade it.

1 Q Create interest? Create volume?

2 A Yeah.

3 Q And did the agreements with
4 exchanges include certain terms regarding
5 marketing and publicity?

6 A I think they did, yes.

7 Q What were -- what was -- as part of
8 those terms, what was Ripple's -- what did
9 Ripple agree to do?

10 A I think it was pretty similar to
11 what's listed here. It would have been on
12 inside post.

13 Q That's a posting on Ripple's
14 website?

15 A Yes. This is -- it's pretty
16 standard.

17 Q Press out reach, would Ripple reach
18 out to press?

19 A I -- that's a good question. I
20 don't know.

21 Q You said this is pretty standard.
22 Would Ripple tweet or put messages
23 on social media?

24 A Yes.

25 Q Would they add Bitstamp to the XRP

1 portal?

2 A Yes.

3 Q What is the XRP portal?

4 A If I remember correctly, this is
5 part of XRP charts.

6 Q What is XRP Charts?

7 A XRP Charts is a website that -- and
8 I haven't looked at it in a while. "A while"
9 meaning, probably over a year. But it was --
10 it was a website that had volume on
11 exchanges. What would have been trading
12 volume on the protocol. And information
13 around activities on the protocol. So wallet
14 movement. Basically, the portal end of the
15 XRP ledger.

16 Q Did the XRP portal get updated
17 every time a new exchange listed XRP on the
18 platform?

19 A That's a good -- I don't know. I
20 wasn't in charge of it.

21 Q All these marketing -- what was the
22 purpose of all these marketing efforts?

23 A Awareness of the listing.

24 Q Well, here at the bottom, it says,
25 "We are working to ensure all pieces are in

1 place since a strong Bitstamp launch will
2 improve liquidity for XRP."

3 A Right.

4 Q "And give our exchange originator
5 strategy significant momentum."

6 A Yes.

7 Q Is that your understanding?

8 A Yes.

9 Q What does it mean "originator
10 strategy"?

11 A I don't know what he means by that,
12 actually.

13 Q Do you know what he means by
14 "exchange strategy"? Is that what we talked
15 about earlier?

16 A Earlier in --

17 Q Earlier, we talked about a strategy
18 to increase listings on exchanges.

19 A Yes. This -- this would have been
20 part of that. With the caveat of December
21 2016.

22 Q It was early.

23 A Very early. We were fumbling
24 around in the dark at this point.

25 MS. WAXMAN: Okay. Let's go off

1 the record at 12:48.

2 (A brief recess was taken.)

3 MS. WAXMAN: We are back on the
4 record at 1:33.

5 Mr. Vias, while we were off the
6 record, did you have any conversations with
7 the staff?

8 THE WITNESS: No.

9 MR. DANIELS: I just wanted to go
10 back to something you had mentioned earlier,
11 the stool analogy. Just for the record, can
12 you remind us what the three legs were.

13 THE WITNESS: Sure. So three legs
14 are speculators, market makers and then
15 hedgers or use of the liquidity for commerce.

16 MR. DANIELS: When you started in
17 late 2016 or early 2017, did you have some
18 sort of target breakdown for the three
19 different legs? For example, was there
20 supposed to be a third, a third, a third.

21 THE WITNESS: No.

22 MR. DANIELS: You mentioned on the
23 [REDACTED] I think, there's some products where it
24 could be up to sixty percent speculative
25 volume.

1 When you started in 2016, early
2 2017, do you have a sense of what the
3 speculative volume was for XRP?

4 THE WITNESS: I don't.

5 MR. DANIELS: Throughout your
6 tenure at Ripple, do you have any sense of
7 what the speculative volume is as the
8 percentage of the total volume?

9 THE WITNESS: I don't. The
10 difference of the [REDACTED] is I had full
11 visibility of the product and the volume.

12 MR. DANIELS: Do you have a general
13 sense?

14 THE WITNESS: I don't know how to
15 answer that question. You mean general in
16 terms of numbers?

17 MR. DANIELS: Sure. Take numbers.

18 THE WITNESS: I mean, it would have
19 changed from '16, '17, '18, '19. I really
20 don't know.

21 MR. DANIELS: Can you talk through
22 how it has changed?

23 THE WITNESS: Yes. In -- so '17,
24 the two market participants that I'm aware of
25 participating in any significant way in the

1 market would have been speculators and market
2 makers. We talked a lot about those.

3 In '17, crypto markets generally
4 really grew both in volume and market cap for
5 a lot of the other -- for the whole market.
6 So everything kind of grew. My sense is that
7 that was largely speculation. And then in
8 2018, as markets kind of came back, my sense
9 is that market makers would have been a
10 larger piece of the puzzle.

11 Market makers tend to be sticky in
12 volume because that's their business, to make
13 markets. I'm talking broad terms, not just
14 XRP here. In 2019, that mix probably stays
15 the same. And then for XRP in particular,
16 which starts to add a lot of the commercial
17 volume with xRapid and RDL. That's roughly
18 how I see it.

19 MR. DANIELS: Okay.

20 Q So earlier today, we spoke about
21 the company prioritizing speculative volume
22 in 2017.

23 Was that a continued priority in
24 2018 and in 2019?

25 A No.

1 Q I didn't hear --

2 A No.

3 Q No. Why not?

4 A So as I mentioned, 2017, the
5 markets grew significantly. I mentioned
6 previously, by the end of 2017, XRP was on a
7 hundred exchanges, I think. Ninety-five of
8 those organically. And at that point, it
9 felt like, kind of, we checked the box on
10 speculation.

11 The exchanges were out there. We
12 have now -- we could have more OTC volume
13 because of the commit-to-sell that I -- that
14 we discussed earlier. And we were starting
15 now to get more traction on traffic in OBL.
16 So we had the proof of concepts and the --
17 the focus quickly shifted in 2018 to growing
18 out the product.

19 Q You said that ninety-five out of a
20 hundred exchanges listed, the listing grew
21 organically.

22 Can you tell me what you meant by
23 that.

24 A On their own.

25 Q So you are saying out of a hundred

1 listings, platforms that listed XRP, Ripple
2 was only involved in five of those?

3 A Not -- platform. You mean
4 exchanges?

5 Q Yes.

6 A Okay. I mean, I don't know the
7 exact numbers, but that feels like the right
8 proportion to me.

9 Q So -- okay. Well, I want to get
10 that right.

11 A Okay.

12 (SEC Exhibit No. 21 was
13 marked for
14 identification.)

15 Q I'm showing you what's been marked
16 as Exhibit 21, which is a spreadsheet that
17 was prepared by Ripple's counsel and provided
18 to the staff. And it's a listing of rebate
19 incentive agreements with exchanges for the
20 period through February 2019.

21 A Okay.

22 (SEC Exhibit No. 22 was
23 marked for
24 identification.)

25 (The witness examined the

1 document.)

2 Q I'm also showing you what's been
3 marked as Exhibit 22. Which is another
4 spreadsheet that was prepared by Ripple's
5 counsel and provided to the SEC. Which is
6 Ripple's listing agreements with digital
7 currency exchanges from May 28th through --
8 through sometime in 2019.

9 So does this refresh your
10 recollection as to how many exchanges Ripple
11 entered into agreements with? And this is
12 not inclusive list.

13 (The witness examined the
14 document.)

15 A Yeah.

16 Q Is it more than five?

17 A It is. Before the end of 2017,
18 it's seven.

19 MR. CERESNEY: Actually, just to --
20 the last one --

21 THE WITNESS: Didn't happen.

22 MR. CERESNEY: Yeah. So there's
23 six.

24 THE WITNESS: There's six. So you
25 are right. It's not five.

1 Q So you were saying in 2017 --

2 A Until the end of 2017.

3 Q But from the time you started with
4 XRP to the present, how many --

5 A Sorry. Ripple.

6 Q By the time you started with Ripple
7 to the present, about approximately how many
8 exchanges did Ripple enter into agreements
9 with?

10 A For listings or for xRapid as well?

11 Q Just for listings.

12 A Just for listings -- this looks
13 like a pretty -- I think this is it.

14 Q Okay. And so all the other
15 exchanges decided to list on their own?

16 A Yes.

17 Q Earlier today, we were talking a
18 little bit about OTC sales to funds.

19 A Yes.

20 Q Why did Ripple sell the XRP to
21 funds?

22 A To raise cash.

23 Q To raise cash.

24 Would it generate additional
25 speculative volume?

1 A To funds directly? That would have
2 been speculative volume.

3 Q So yes?

4 A Yes.

5 Q And the sales, did they sell XRP at
6 a discount?

7 A We -- we have, yes.

8 Q Generally, the sales to -- the OTC
9 sales to funds, was the XRP sold at a
10 discount?

11 A So some of that predates my joining
12 of the company. I don't have full visibility
13 into the sales previous to my joining in
14 terms of discounts or not. I do know that
15 there were some sales with discounts while
16 I've been at the company.

17 Q From -- you started in November
18 2016.

19 A Yes.

20 Q Is the company still entering into
21 OTC sales with funds?

22 A Not that I'm aware of.

23 Q When did it stop?

24 A If I remember correctly, the last
25 one would have been late 2018.

1 Q Those sales during that period, the
2 two-year period, was the XRP sold at a
3 discount?

4 A Yes.

5 Q Why was it sold at a discount?

6 A So the general arrangement was --
7 there was a lock up, generally, with sales --
8 large sales to funds. And in return for that
9 lock up, the XRP was sold at a discount.

10 Q What were the terms of the lock up?

11 A They -- I'm not going to remember
12 this exactly. But there were different time
13 periods of a lock up based on different
14 discounts or vice versa, I should say. So
15 the longer the lock up, the bigger the
16 discount.

17 Q Okay. Why were you offering a
18 discount in exchange for the lock up?

19 A So the thinking was we didn't want
20 to -- we had no interest in offering XRP at a
21 discount and then having somebody just turn
22 around and sell it to monetize the discount.
23 That would be counterproductive. If we
24 wanted to do that, we could just increase
25 programmatic sales and cost us less money.

1 So it was a similar idea around XRP sales.

2 So minimizing pack, both from the model and
3 price perspective.

4 Q What determined the amount of
5 discount? You said it depended -- the longer
6 the lock up, the more the discount?

7 A Right. It changed. When I first
8 joined, there was like a rate sheet that had
9 discounts with different lock ups. And I
10 remember it changing once or twice. And then
11 I can't remember when, but I know we got rid
12 of it. But I don't remember exactly what --
13 what thinking around the lock up versus the
14 discount was.

15 Q What would happen if there was no
16 lock up? If -- what would happen if --
17 strike that.

18 What would happen if the XRP was
19 able to be freely sold?

20 A Sell it.

21 Q Do you think it would -- would it
22 have a large impact on price?

23 A I -- I don't know.

24 Q Well, what was -- was one of the
25 purposes of lock up to try to control dips in

1 the price?

2 A No.

3 Q What was the purposes of the lock
4 up then?

5 A Like I said --

6 Q Other than compensate for --

7 A Well, no. You just -- there's
8 no -- why run the risk of someone just
9 turning around -- even if it has no impact on
10 price, just turning around and monetizing a
11 ten or a fifteen percent discount on
12 something, for what?

13 So you say no, fine. We'll give
14 you a discount. But as a result, you have to
15 lock it up. Because otherwise, there's an
16 incentive to turn around and sell it. If we
17 wanted to do that, we could do it ourselves.
18 We would just increase programmatic sales.

19 Q Did Ripple publicly disclose the
20 terms of the deals with these funds?

21 A No.

22 Q Did it disclose to whom it sold the
23 XRP to part of these deals?

24 A No.

25 Q Could anyone try to figure out who

1 was buying the XRP from Ripple in connection
2 with these deals?

3 A Could someone try?

4 Q Mm-hmm.

5 A Yes.

6 Q Do people try now to identify large
7 traders in XRP?

8 A Yes.

9 Q How do they?

10 A On the protocol? So ostensibly, if
11 you could identify a wallet, then you could
12 match the identity of that wallet, the owner
13 of that wallet, and you can track its
14 movements.

15 Q Are Ripple's wallets known to the
16 public? Does the public know which wallets
17 are associated with the company?

18 A So I think people think they know.
19 I'm not sure if they do know or don't.

20 Q Well, does the company publically
21 disclose what wallets they're associated
22 with?

23 A No. No.

24 Q Did the company monitor XRP sales,
25 either programmatic or OTC sales?

1 A Like keep track of?

2 Q Yes.

3 A Yes.

4 Q Was that part of your
5 responsibility?

6 A In its final state, it's Finance's
7 responsibility to monitor the cash proceeds.
8 But we would monitor the amounts of sales as
9 well.

10 Q Would your -- did that occur in
11 2016 and continue throughout 2017 and 2018?

12 A I can't remember 2016. I was only
13 there a month. But 2017 to 2018, yes.

14 Q And did you monitor programmatic
15 sales --

16 A Yes.

17 Q -- by market makers?

18 A Yes.

19 Q How would you monitor those sales?

20 A The market makers, on daily basis,
21 would send back reports detailing around how
22 much they had sold.

23 Q Daily reports?

24 A Yes.

25 Q Did you review those reports?

1 A Periodically.

2 Q Did someone review them on a daily
3 basis?

4 A Denuca Samuelson.

5 Q Did [REDACTED] review them on a daily
6 basis?

7 A Maybe early 2017.

8 Q After they reviewed them, did they
9 discuss them with you?

10 A At times, I'm sure. Yes.

11 Q Why -- and they were monitoring
12 them on a daily basis you said?

13 A Yes.

14 Q Why would you be monitoring
15 programmatic sales on a daily basis?

16 A Well, you track the sales. As I
17 mentioned, we have an XRP meeting at the end
18 of the week and we would discuss sales. So
19 you are ingesting the data and just tracking
20 the sales.

21 Q Were you making sure that the
22 market makers were trading in accordance with
23 the percentages that you had told them in the
24 beginning of the week?

25 A Yes. Yes. I mean, that's

1 definitely one of the things that we would be
2 looking for.

3 Q What else were you tracking as part
4 of those daily monitoring?

5 A Percentage, total sales.

6 Q Total sales of --

7 A On the day. Total sales for the
8 market makers, exactly how much they sold.
9 So a notion around a hundred percentage
10 volume. We would have been looking at whether
11 or not the exchanges -- the exchange list,
12 like it followed a certain -- like we knew
13 that they had been active on Bitstamp the day
14 before. If all of a sudden they were not
15 active on Bitstamp, we would be like "What
16 happened?"

17 Q Could you call them up and find out
18 what happened in that situation?

19 A Probably not me, but Denuca or

20 

21 Q What else would you be monitoring
22 for it?

23 A I think that's it. That's the bulk
24 of it.

25 Q Would you monitor changes in the

1 price of XRP?

2 A Not in relation to the sales.

3 Q Just in general, would you monitor
4 on a daily basis the price of XRP?

5 A Yes.

6 Q Why would you be monitoring that?

7 A Good question. I -- I don't know.

8 Imperative to reputable markets one of the
9 things that it is, is the price.

10 Q Was the price of XRP important?

11 A Yes. Yes.

12 Q Why was it important?

13 A Why was it important to me?

14 Q Why was it important to the
15 company?

16 A To the company. I mean, we own
17 fifty-five billion XRP of material impact on
18 the company.

19 Q If the price of XRP would fall,
20 that would have a material impact on the
21 company?

22 A Depends on from what level.

23 Q You mean the percentage?

24 A Right. When it went from six
25 tenths of a penny to five tenths of a penny,

1 even though that's a large percentage
2 movement, it really didn't have material
3 impact on the company.

4 Q How would large price movements
5 have material impact on the company?

6 A So it's -- it would mean, I guess
7 on paper, the valuation of the company would
8 be ostensibly would be moving up and down a
9 lot.

10 Q Did the company value itself based
11 on the market value of the XRP it held?

12 A I don't know.

13 Q Well, you just said that the
14 company valuation would change depending on
15 changes in the market price of XRP.

16 A Right. I don't know if the company
17 valued itself. I have no idea.

18 Q Did you ever have any discussions
19 with anybody about how the company valued
20 itself?

21 A No.

22 Q Did Brad Garlinghouse ever refer to
23 the company value based on the amount of XRP
24 it held and the price that that XRP was
25 selling in the market?

1 A No.

2 Q Not that you are aware of?

3 A Not that I'm aware of.

4 Q You said earlier that when the XRP
5 was trading sub pennies, changes didn't
6 really matter.

7 So when did changes in the price
8 start to matter?

9 A I don't know. I'd be guessing.

10 Q Why didn't it really matter when
11 the XRP was trading sub pennies?

12 A I mean, just -- about the -- even
13 though, again, it's on a percentage basis, it
14 moved from six tenths of a penny to five
15 tenths of a penny is a big deal, on a
16 notional basis, it's not. The notional
17 amount is just not significant.

18 Q Going back to the sales and market,
19 the monitoring, the daily monitoring of the
20 XRP sales, we were talking about programmatic
21 sales, were you monitoring for changes in
22 liquidity?

23 A Not in relation to the sales.

24 Q Were you monitoring changes --
25 strike that.

1 Were you monitoring changes in
2 volatility?

3 A Not in relation to the sales.

4 Q Let's take it a step -- what else
5 were you monitoring in relation to XRP sales?
6 And I don't want to limit it to programmatic.
7 Were you also monitoring OTC sales?

8 A Yes.

9 Q What specifically were you
10 monitoring from OTC sales?

11 A The amounts and to whom they were
12 selling.

13 Q How do you monitor the OTC sales?
14 Did they occur on OTC desks do they occur on
15 an exchange?

16 A They would have occurred with us,
17 with the team. So the team would have --
18 would have been either responding to an
19 e-mail or getting inbound. So we would have
20 been part and parcel to any OTC transaction.

21 Q My question more referred to OTC
22 sales in the market.

23 Were you monitoring OTC sales in
24 the market?

25 MR. CERESNEY: Let me just ask, you

1 mean when Ripple sells it over-the-counter,
2 then watching what happens to those XRP?
3 Because they may or may not be OTC sales,
4 they may be on exchange.

5 MS. WAXMAN: Right.

6 A No. The subsequent steps, we were
7 not monitoring.

8 Q How did you use the information
9 that you gathered on a daily basis? You
10 know, so I understand that you monitored XRP
11 sales. And let me make sure I understand you
12 correctly.

13 Did you also monitor XRPs trading
14 in the market?

15 A Yes.

16 Q And what did you look for?

17 A On the exchange, volume on growth.

18 Q What else did you look for?

19 A You know, I already said we looked
20 at the price. But the price across exchanges
21 tend to be the same. So really, per
22 exchange, looking at the volume.
23 Particularly fiat versus crypto. Fiat volume
24 is really important especially for the
25 longer-term payment use case.

1 Without fiat, to XRP volume for use
2 case doesn't really come to fruition. So --
3 and there was -- in one of the documents, it
4 was mentioned, that kind of the XRP fiat
5 volume versus XRP crypto volume, kind of that
6 breakdown was important at times. We want
7 the fiat volume to be growing if at all
8 possible. So that we could at least try to
9 use that volume for the payment use case.

10 Q Did you ever present XRP sales
11 information up the chain?

12 A Every Friday.

13 Q Every Friday you would have a
14 meeting with -- who would you meet with?

15 A XRP sales meeting -- again,
16 depending on who was at the company. But it
17 would have been me, Denuca, Ron Will, Brad
18 Garlinghouse. And then Patrick or -- well,
19 Ron since he was my manager.

20 Q Was Ron Will the CFO at the time?

21 A He was.

22 Q What was the purpose of that
23 meeting?

24 A So the -- the primary purpose was
25 to decide on XRP sales going forward in terms

1 of the percentages that we were selling. It
2 was an update. We were updating the team
3 just so that they knew what was happening
4 with respect to sales and then our decision
5 would be made as to whether or not to change
6 the stance.

7 Q Can you be a little more -- first
8 of all, when did those meetings start?

9 A I -- I think as soon as I -- I
10 joined. I think it was a standard meeting
11 before I got there.

12 Q Did it continue through 2017 and
13 2018 and 2019?

14 A It did.

15 Q Does it continue through today?

16 A Yes.

17 Q So when you say you were -- met to
18 decide percentages, can you be a little more
19 specific? What percentages were you just
20 saying?

21 A The percentage of volume that we
22 were selling into the market.

23 Q Programmatically?

24 A Programmatically.

25 Q How did you determine that

1 percentage on a weekly basis?

2 A It was mostly volume-based. So if
3 we had like a strong uptake in volume, for
4 instance, we might lower that percentage so
5 that we wouldn't be just selling more into
6 the market as the volumes increased. So the
7 volume was a big -- was the leading driver,
8 if you will, on that percentage.

9 Q Why wouldn't you want to increase
10 your selling as the volume increased? Why
11 would you want to -- why would you retract?

12 A Well, the overarching goal is to
13 have as little impact as possible.

14 Q On price?

15 A And on the market probability as
16 well. It's on both. The idea would be,
17 well, if volumes are ticking up, right, and
18 we were selling a million dollars last week
19 and volume's tripled, that would mean we
20 would be selling three million dollars. And
21 that -- to what? That wasn't the goal.
22 Right. So the idea was always to be a pretty
23 consistent number in terms of sales.

24 Q What was the goal?

25 A Again, we discussed this earlier.

1 We sold XRP to fund the company operations.

2 Q Was also -- also, I think we
3 discussed the liquidation strategy was not to
4 disrupt the price of XRP?

5 A Right.

6 MR. CERESNEY: And volatility
7 sales.

8 THE WITNESS: And volatility.

9 Q Did you also discuss how much to
10 sell the OTC sales?

11 A Yes.

12 Q How was that determined on a weekly
13 basis?

14 A So that wasn't determined on a
15 weekly basis. But the OTC sales were --
16 were -- just a lot less frequent. And I do
17 remember discussing -- you know, the -- how
18 much XRP OTC we were selling. But it wasn't
19 the same discussion right around percentages
20 or volume because it was more ad hoc.

21 Q Even though it was ad hoc, what
22 factors did you take into account when you
23 decided to increase OTC sales?

24 A We didn't. We didn't have a lot of
25 control over OTC sales.

1 Q What do you mean you didn't have
2 control over OTC sales?

3 A So --

4 Q When I say, "OTC sales," I mean
5 when Ripple sells XRP over-the-counter to
6 funds and market makers.

7 A Right. So that, the action of
8 buying, would be -- would have been kind of
9 precipitated by another party, not us. I
10 wasn't calling [REDACTED] and saying, "Hey, can
11 I sell you some XRP?" If [REDACTED] doesn't
12 call, then there are no OTC sales. It's just
13 that simple. No funds calling --

14 Q I understand that. Thank you.
15 So you have more control over
16 programmatic sales. It's your decision. So
17 I'm trying to understand why -- what sort of
18 feedback did you get from Brad and Ron and
19 others at the meeting, at this weekly sales
20 meeting? It seems -- I'll let you answer the
21 question.

22 A I mean, the feedback generally was
23 "Thanks for the update."

24 Q Well, why did you have the meeting
25 with them? It seems like if you wanted to

1 sell a certain amount into the market and it
2 was, you know, a certain percentage, why
3 would they need to be involved if -- was it a
4 predetermined, that amount?

5 A The amount was not predetermined.
6 And why that group was involved in
7 determining like the percentage amounts, we
8 would come with a recommendation. Generally,
9 the recommendation was stay the course.

10 Q When you say, "stay the course,"
11 what do you mean?

12 A The percentage that was previously,
13 let's just remain.

14 Q What percentage was that?

15 A Between fifteen to twenty-five
16 basic points of daily average volume.

17 Q Was that in 2016 or did that --

18 A That changed. I'd have trouble
19 remembering what it was in 2017. What I do
20 remember is there was a pretty consistent
21 kind of downtrend in terms of the percentage.

22 Q Why was there a downtrend?

23 A Because the volumes were growing.

24 Q Was there ever a time where the
25 company said, "Let's increase with the

1 increase in volume"?

2 MR. CERESNEY: You mean if there
3 was an increase in volume of XRP trading, the
4 company also said, "Let's increase the
5 percentage of that volume," that would be
6 programmatic trading.

7 MR. DANIELS: Or just maintain the
8 percentage, but increase the overall amount.

9 THE WITNESS: Right.

10 MR. CERESNEY: Do you recall?

11 THE WITNESS: I don't recall the
12 former. That we've ever -- if I can
13 remember, increased percentages while volumes
14 were increasing. In late 2018 and 2019, I
15 feel like we may have lowered the percentage
16 as volume started to really spike in late
17 2018 and 2019. Yeah. So I don't -- I don't
18 recall a time when like volumes exploded and
19 we were like --

20 MR. DANIELS: In 2018 or 2019
21 period that you just referenced, do you
22 recall discussions around that in terms of
23 lowering the percentage?

24 THE WITNESS: Yes. Yes. And in
25 particular, there was a -- so we would use

1 CoinMarketCap as the -- the truth in terms of
2 volume. And we started to be a little
3 concerned about that. There was a lot of
4 stories in the news that maybe CoinMarketCap
5 wasn't real volume. And maybe some of these
6 exchanges weren't on the up and up.

7 So we started to have a discussion
8 around changing that. Changing using
9 CoinMarketCap's numbers as the percentage of
10 volume -- denominator, if you will, of what
11 we sold in terms of the calculation. That
12 did precipitate conversations around should
13 we just lower the percentage down to one
14 basis point and continue to use
15 CoinMarketCap. Or should we switch over
16 to -- I think they use CryptoCompare now, and
17 do twenty basis points. I remember those
18 conferences.

19 Q Was there a concern that
20 CoinMarketCap was inflating volumes?

21 A Yes. Actually, not that
22 CoinMarketCap was inflating volumes. But
23 possibly that the exchanges were inflating
24 values, and then CoinMarketCap was publishing
25 those values.

1 Q Let's talk about the price of XRP
2 from the time you started in 2016 to the
3 present.

4 Did the price grow?

5 MR. CERESNEY: Rise?

6 MS. WAXMAN: Rise. Yes. Thank
7 you.

8 A Yes.

9 Q What was the -- in 2016, when you
10 started, what was the price?

11 A Around six tenths of a penny.

12 Q What's the highest price it ever
13 got to from 2016 to the present?

14 A It depends on the exchange.
15 Different prices for different exchanges.
16 But around \$3.00.

17 Q When did it get to that price?

18 A That was December of '17 or January
19 of '18. I can't remember exactly.

20 Q When the price was going up, did
21 that affect the company's decision on whether
22 to sell and how much to sell? Because you
23 said XRP was used to fund the company. So
24 obviously, as the price goes up, you have
25 more money that the company can use.

1 A No. If the price goes up, the
2 price goes up. We have more valuable XRP.
3 If we sell it, then we have more money. If
4 we don't, we have the same amount of money.

5 Q Right. So my question is, as the
6 price went up, did you discuss selling more
7 XRP?

8 A Not that I remember. You just have
9 to remember, as the price goes up, every XRP
10 you sell, brings in more money. So you don't
11 have to sell more XRP.

12 Q Right. You can sell less.

13 A You can sell less.

14 MS. WAXMAN: Sorry. I'm looking
15 for something in particular.

16 Q Do you know approximately what
17 percentage over Ripple's revenue comes from
18 XRP sales as opposed to the sale of its
19 product?

20 A I don't.

21 Q Do you have any insight into that?

22 A I think it's mostly XRP sales. I
23 wouldn't know whether it's seventy/thirty,
24 ninety/ten. I have no idea.

25 Q How do you know that it's mostly

1 XRP sales?

2 A I feel like this is common
3 knowledge inside of Ripple. I can't point to
4 one thing where it was clear. I mean --
5 maybe during some of the all-hands we talked
6 about some of this.

7 Q When did Ripple start charging
8 money for selling its products; if you know?

9 A I don't know.

10 (SEC Exhibit No. 23 was
11 marked for
12 identification.)

13 Q I'm showing you what's been marked
14 as Exhibit 23, which is a table that the
15 staff prepared using information that was
16 provided to us by counsel. And
17 cross-referenced with the XRP markets
18 reports. And it basically breaks down XRP
19 sales, programmatic OTC and commit-to-sell,
20 along with purpose amounts by quarter,
21 beginning in Q4 2014 through Q3 2019. And it
22 lists the USD sum of the total amount of
23 sales for those categories.

24 Before I ask you, the
25 commit-to-sell program that we spoke about